

**Ledgemont Local School District**  
**Geauga County, Ohio**

*Audited Financial Statements*  
***June 30, 2011***





# Dave Yost • Auditor of State

Board of Education  
Ledgemont Local School District  
16200 Burrows Road  
Thompson, Ohio 44086

We have reviewed the *Independent Auditor's Report* of the Ledgemont Local School District, Geauga County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ledgemont Local School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

June 8, 2012

**This page intentionally left blank.**

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEOUGA COUNTY**

**TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

---

	<i>Page</i>
Table of Contents .....	1
Independent Auditor’s Report .....	2
Management’s Discussion and Analysis .....	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	14
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities .....	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund .....	18
Statement of Fiduciary Assets and Liabilities – Fiduciary Funds .....	19
Notes to the Basic Financial Statements .....	20
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Accounting Standards .....	44
Schedule of Findings .....	46
Schedule of Prior Audit Findings .....	50
Independent Accountant’s Report on Applying Agreed-Upon Procedures .....	51

**This page intentionally left blank.**

February 14, 2012

The Board of Education  
Ledgemont Local School District  
16200 Burrows Road  
Thompson, Ohio 44086

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio (the School District) as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Ledgemont Local School District, Geauga County, Ohio as of June 30, 2011, and the respective changes in financial position and budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 21 to the financial statements, the Auditor of State has determined a fiscal emergency exists, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of this emergency pursuant to Chapter 3316 of the Ohio Rev. Code. Note 21 describes management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2012 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Rea & Associates, Inc.*



**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

The discussion and analysis of Ledgemont Local School District's (the School District) financial performance is presented by the School District's Treasurer and provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2011 include:

- The Auditor of State placed the School District into a state of "fiscal emergency" based on an anticipated deficit for fiscal year end 2011. A Solvency Assistance Fund Advance was then available to the School District. A portion of this advance remained at the end of the year and will be used during fiscal years 2012 and 2013.
- The School District's enrollment decreased 31 students from fiscal year 2010 to fiscal year 2011. As a result of this decrease, there was a decrease to School Foundation revenues from the State of Ohio.
- Certified and classified employees received a 1 percent increase in base salary as of March 1, 2011 in addition to step increases ranging from 1.82 percent to 5.88 percent at the beginning of the fiscal year as per their negotiated contracts.

### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes pertaining to those statements. These statements are organized so the reader can understand the Ledgemont Local School District as a financial whole, or complete operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of the Ledgemont Local School District, the general fund is the most significant fund.

### **Reporting the School District as a Whole**

#### *Statement of Net Assets and the Statement of Activities*

This analysis of the School District encompasses all of the School District's funds used to provide programs and activities and presents them as a whole. This view of the School District as a whole looks at all financial transactions and answers the questions, "What were the fiscal changes throughout the year?" and "What was the net effect of those changes?". The Statement of Net Assets and the Statement of Activities provide the basis for answering these questions. The statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting recognizes all of the current year's revenues and expenses regardless of when cash is received or paid.

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

These two statements report the School District's *net assets* and any changes in those assets. The change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some strictly within the scope of the School District, some not. External factors include the School District's property tax base, income tax collections, community demographics, current property tax laws in Ohio restricting revenue growth, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, all of the School District's activities are classified as governmental. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities and food services.

### **Reporting the School District's Most Significant Funds**

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, the fund financial statements focus on the School District's most significant funds.

**Governmental Funds** - The School District's activities are reported as governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* are reconciled in the financial statements of the Governmental Funds.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School District. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the School District's programs. These funds use the accrual basis of accounting.

### **The School District as a Whole**

You may recall that the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a comparison of the School District's Net Assets for fiscal year 2011 compared to fiscal year 2010:

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**(Table 1)**  
**Net Assets - Governmental Activities**

	2011	2010	Change
<b>Assets</b>			
Current and Other Assets	\$3,291,156	\$2,215,837	\$1,075,319
Capital Assets, Net	1,326,546	1,190,469	136,077
<i>Total Assets</i>	<u>4,617,702</u>	<u>3,406,306</u>	<u>1,211,396</u>
<b>Liabilities</b>			
Current and Other Liabilities	4,760,345	2,715,515	(2,044,830)
Long-Term Liabilities:			
Due Within One Year	27,464	65,623	38,159
Due in More than One Year	326,158	231,963	(94,195)
<i>Total Liabilities</i>	<u>5,113,967</u>	<u>3,013,101</u>	<u>(2,100,866)</u>
<b>Net Assets</b>			
Invested in Capital Assets	1,126,546	1,190,469	(63,923)
Restricted:			
Capital Projects	23,173	16,180	6,993
Debt Service	63,670	63,670	0
Set Asides	519,033	888,926	(369,893)
Other Purposes	163,838	77,965	85,873
Unrestricted (Deficit)	<u>(2,392,525)</u>	<u>(1,844,005)</u>	<u>(548,520)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$496,265)</u></u>	<u><u>\$393,205</u></u>	<u><u>(\$889,470)</u></u>

The School District requested a Solvency Assistance Fund Advance and was able to carry a portion of the advance into next fiscal year. During the second half of the fiscal year the School District began collecting the new income tax that became effective January 1, 2011. The collection of delinquent property taxes during the fiscal year also increased the School District's assets.

The School District had an increase in total liabilities due to the request of the solvency assistance loan advance. The increase was offset by decreases in accounts and intergovernmental payables. The School District had fewer obligations to have to be carried over to the following fiscal year than in the past.

In order to further understand what makes up the changes in net assets for the current year, the following table gives further details regarding the results of activities for fiscal years 2011 and 2010.

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

**(Table 2)**  
**Changes in Net Assets - Governmental Activities**

	2011	2010	Change
<b>Revenues</b>			
<i>Program Revenues</i>			
Charges for Services and Sales	\$453,804	\$328,674	\$125,130
Operating Grants and Contributions	655,930	512,921	143,009
Capital Grants	0	3,000	(3,000)
<i>Total Program Revenues</i>	<u>1,109,734</u>	<u>844,595</u>	<u>265,139</u>
<i>General Revenues</i>			
Property Taxes	2,074,873	1,872,632	202,241
Income Taxes	262,252	44,090	218,162
Grant and Entitlements not Restricted to Specific Programs	2,580,700	2,660,734	(80,034)
Investment Earnings	1,315	1,715	(400)
Miscellaneous	10,780	31,167	(20,387)
<i>Total General Revenues</i>	<u>4,929,920</u>	<u>4,610,338</u>	<u>319,582</u>
<i>Total Revenues</i>	<u>6,039,654</u>	<u>5,454,933</u>	<u>584,721</u>
<b>Program Expenses</b>			
Instruction:			
Regular	2,506,343	2,403,156	(103,187)
Special	953,708	971,278	17,570
Vocational	91,866	134,784	42,918
Student Intervention	643,893	627,355	(16,538)
Support Services:			
Pupil	167,361	115,400	(51,961)
Instructional Staff	98,268	102,056	3,788
Board of Education	34,332	24,201	(10,131)
Administration	593,300	584,791	(8,509)
Fiscal	225,673	191,962	(33,711)
Operation and Maintenance of Plant	747,709	574,484	(173,225)
Pupil Transportation	535,000	574,855	39,855
Central	19,093	21,499	2,406
Extracurricular Activities	127,485	124,070	(3,415)
Operation of Food Service	173,980	170,307	(3,673)
Operation of Non-Instructional Services	4,044	6,060	2,016
Interest and Fiscal Charges	7,069	0	(7,069)
<i>Total Program Expenses</i>	<u>6,929,124</u>	<u>6,626,258</u>	<u>(302,866)</u>
<i>Decrease in Net Assets</i>	(889,470)	(1,171,325)	281,855
<i>Net Assets Beginning of Year</i>	<u>393,205</u>	<u>1,564,530</u>	<u>(1,171,325)</u>
<i>Net Assets (Deficit) End of Year</i>	<u>(\$496,265)</u>	<u>\$393,205</u>	<u>(\$889,470)</u>

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

***Governmental Activities***

The School District carefully plans its financial future by projecting its revenues and expenses and presents them in a five-year forecast. The five-year forecast changes continually and is presented to and approved by the Board of Education at least twice a year. The School District income tax estimates and actuals are based on the State income tax filings.

The School District relies heavily upon property taxes, income taxes and the State School Foundation Program to support its operations. Modest increases in both property taxes due to increases in delinquent property tax collections and income tax revenue due to the passing of the new levy being outpaced by expenses has placed a financial strain on the School District's finances. The School District also actively solicits and receives additional grant and entitlement funds to help offset operating costs.

Program expenses increased due to the negotiated 1 percent base salary increase to certified and classified employees as well as a 24 percent increase in health care premiums paid by the School District.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services for fiscal year 2011 compared to fiscal year 2010.

**(Table 3)**  
**Total and Net Cost of Program Services**  
**Governmental Activities**

	2011		2010	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$4,195,810	\$3,707,525	\$4,136,573	\$3,566,377
Support Services:				
Pupil and Instructional Staff	265,629	138,561	217,456	209,596
Board of Education, Administration, and Fiscal	853,305	725,035	800,954	776,695
Operation and Maintenance of Plant	747,709	637,893	574,484	557,230
Pupil Transportation	535,000	517,820	574,855	558,062
Central	19,093	10,173	21,499	14,848
Extracurricular Activities	127,485	78,444	124,070	13,391
Operation of Food Service	173,980	(7,174)	170,307	83,218
Operation of Non-Instructional Services	4,044	4,044	6,060	2,246
Interest and Fiscal Charges	7,069	7,069	0	0
<i>Total Expenses</i>	<u>\$6,929,124</u>	<u>\$5,819,390</u>	<u>\$6,626,258</u>	<u>\$5,781,663</u>

The dependence upon general revenues for governmental activities is apparent as local property tax accounts for roughly 42.44 percent and grants and entitlements account for fiscal year 52.79 percent of total general revenues in fiscal year 2011. These percentages are slightly different from fiscal year 2010 due to the

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

increase in delinquent property tax collections and income tax collections due to the new levy. All governmental activities general revenue support is 81.62 percent of total governmental revenues.

**The School District's Funds**

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$5,865,623 and expenditures of \$7,009,165 excluding other financing sources and uses. The general fund had a decrease in fund balance due mainly to decreases in State Foundation revenue due to declining enrollment and increases in expenditures outpacing increases in income tax collections. Other governmental funds had a decrease in fund balance due to the School District utilizing grant monies.

**General Fund Budgeting Highlights**

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. During the course of fiscal year 2011, the School District amended its general fund budget only a few times. Actual revenues received were slightly lower than the certification primarily due to the receipt of less State foundation revenue than expected which was offset by the receipt of delinquent property tax revenue not expected. Final appropriations were higher than actual expenditures due to the School District closely watching expenditures. The School District's ending unencumbered cash balance was positive at the end of the fiscal year due to the receipt of the Solvency Assistance Fund Advance.

**Capital Assets and Debt Administration**

**Capital Assets**

Table 4 shows fiscal year 2011 balances compared to fiscal year 2010. More detailed information is presented in Note 11 of the notes to the basic financial statements.

**(Table 4)**  
**Capital Assets at June 30**  
**(Net of Depreciation)**

	Governmental Activities		
	2011	2010	Change
Land	\$119,100	\$119,100	\$0
Land Improvements	65,940	73,541	(7,601)
Buildings and Improvements	850,887	915,485	(64,598)
Furniture and Equipment	207,946	23,802	184,144
Vehicles	82,673	58,541	24,132
Totals	\$1,326,546	\$1,190,469	\$136,077

All capital assets, except land are reported net of depreciation. During the fiscal year, the School District replaced the boiler at the elementary/middle school and purchased two buses. The net increase in capital assets during the fiscal year resulted due to the net effect of current year additions and annual depreciation expense.

**Ledgemont Local School District**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2011*  
*Unaudited*

---

***Debt***

At June 30, 2011 the School District had no bonds outstanding. The School District's long-term obligations outstanding consist of compensated absences payable of \$353,622 and \$297,586 for fiscal years 2011 and 2010, respectively. More detailed information is presented in Note 17 of the notes to the basic financial statements.

**Challenges and Opportunities for the Future**

On November 9, 2010, the School District was declared by the Auditor of State to be in a state of "fiscal emergency" based on an anticipated deficit for fiscal year end 2011. A five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a financial recovery plan. With the assistance of the Financial Planning and Supervision Commission, the School District was able to put in place a recovery plan on February 28, 2011.

Many factors have contributed to the School District's financial condition. The School District's income tax levy expired at the end of calendar year 2008 causing a significant decline in income tax revenue. The Board of Education placed a levy on the ballot in both May and November of 2009 to replace the levy but was declined by votes on both occasions. The Board of Education returned to the voters in May of 2010 and placed a five year, 1.25 percent income tax levy on the ballot which was approved by voters. The new levy became effective on January 1, 2011 and is estimated to generate \$1,000,000 annually by fiscal year 2013. Even with the passing of the income tax levy, the financial future of the School District will continue to face challenges. These challenges stem from issues that are local and at the State level. The local challenges will continue to exist, as the School District must rely heavily on property taxes to partly fund its operations. State level challenges continue to evolve with the unpredictable future of State funding.

The School District will continue to provide the best education it can to the community's most important asset. It will be a responsible and conservative custodian of the public's monies. The School District will continue to work within the confines of the budget it has set forth. Working in conjunction with the State of Ohio Department of Taxation, the School District will vigorously pursue the collection of back taxes owed from the School District's income tax.

The School District has committed itself to financial reporting excellence. Ledgemont Local School District continues its commitment to continuous improvement in financial reporting to our community.

**Contacting the School District's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Kelly Moore, Treasurer at Ledgemont Local School District, 16200 Burrows Rd. Thompson, OH 44086, or [kelly.moore@ledgemontschools.org](mailto:kelly.moore@ledgemontschools.org).

## **Basic Financial Statements**



**Ledgemont Local School District**

*Statement of Net Assets*

*June 30, 2011*

	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$975,330
Intergovernmental Receivable	44,361
Inventory Held for Resale	3,022
Materials and Supplies Inventory	16,552
Property Taxes Receivable	2,073,412
Income Taxes Receivable	178,479
Nondepreciable Capital Assets	119,100
Depreciable Capital Assets	<u>1,207,446</u>
<i>Total Assets</i>	<u>4,617,702</u>
<b>Liabilities</b>	
Accounts Payable	108,898
Accrued Wages and Benefits	477,629
Intergovernmental Payable	157,879
Accrued Interest Payable	4,590
Matured Compensated Absences Payable	2,858
Deferred Revenue	1,638,491
Notes Payable	2,370,000
Long-Term Liabilities:	
Due Within One Year	27,464
Due in More Than One Year	<u>326,158</u>
<i>Total Liabilities</i>	<u>5,113,967</u>
<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	1,126,546
Restricted for:	
Capital Projects	23,173
Debt Service	63,670
Set Asides	519,033
Other Purposes	163,838
Unrestricted (Deficit)	<u>(2,392,525)</u>
<i>Total Net Assets (Deficit)</i>	<u><u>(\$496,265)</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2011

	Program Revenues			Net Revenue/(Expense) and Changes in Net Assets
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction:				
Regular	\$2,506,343	\$108,934	\$162,556	(\$2,234,853)
Special	953,708	26,558	153,364	(773,786)
Vocational	91,866	3,038	0	(88,828)
Student Intervention	643,893	21,110	12,725	(610,058)
Support Services:				
Pupil	167,361	3,361	120,457	(43,543)
Instructional Staff	98,268	3,250	0	(95,018)
Board of Education	34,332	1,135	0	(33,197)
Administration	593,300	16,391	103,295	(473,614)
Fiscal	225,673	7,449	0	(218,224)
Operation and Maintenance of Plant	747,709	109,816	0	(637,893)
Pupil Transportation	535,000	17,180	0	(517,820)
Central	19,093	370	8,550	(10,173)
Extracurricular Activities	127,485	48,805	236	(78,444)
Operation of Food Service	173,980	86,407	94,747	7,174
Operation of Non-Instructional Services	4,044	0	0	(4,044)
Interest and Fiscal Charges	7,069	0	0	(7,069)
<i>Total Governmental Activities</i>	<u>\$6,929,124</u>	<u>\$453,804</u>	<u>\$655,930</u>	<u>(5,819,390)</u>
<b>General Revenues</b>				
				2,074,873
Property Taxes Levied for General Purposes				262,252
Income Taxes Levied for General Purposes				
Grants and Entitlements not Restricted to Specific Programs				2,580,700
Investment Earnings				1,315
Miscellaneous				<u>10,780</u>
<i>Total General Revenues</i>				<u>4,929,920</u>
				(889,470)
Change in Net Assets				
<i>Net Assets Beginning of Year</i>				<u>393,205</u>
<i>Net Assets (Deficit) End of Year</i>				<u>(\$496,265)</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District***Balance Sheet**Governmental Funds**June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$169,253	\$287,044	\$456,297
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	519,033	0	519,033
Intergovernmental Receivable	4,044	40,317	44,361
Interfund Receivable	22,334	0	22,334
Inventory Held for Resale	0	3,022	3,022
Materials and Supplies Inventory	15,830	722	16,552
Property Taxes Receivable	2,073,412	0	2,073,412
Income Taxes Receivable	178,479	0	178,479
<i>Total Assets</i>	<u>\$2,982,385</u>	<u>\$331,105</u>	<u>\$3,313,490</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$108,298	\$600	\$108,898
Accrued Wages and Benefits	443,894	33,735	477,629
Interfund Payable	0	22,334	22,334
Intergovernmental Payable	126,473	31,406	157,879
Matured Compensated Absences Payable	2,858	0	2,858
Deferred Revenue	1,912,025	18,455	1,930,480
Accrued Interest Payable	0	4,590	4,590
Notes Payable	2,170,000	200,000	2,370,000
<i>Total Liabilities</i>	<u>4,763,548</u>	<u>311,120</u>	<u>5,074,668</u>
<b>Fund Balances</b>			
Nonspendable	26,098	3,744	29,842
Restricted	519,033	213,247	732,280
Committed	10,741	0	10,741
Unassigned (Deficit)	(2,337,035)	(197,006)	(2,534,041)
<i>Total Fund Balances (Deficit)</i>	<u>(1,781,163)</u>	<u>19,985</u>	<u>(1,761,178)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$2,982,385</u>	<u>\$331,105</u>	<u>\$3,313,490</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Assets of Governmental Activities*  
*June 30, 2011*

---

---

<b>Total Governmental Fund Balances (Deficit)</b>	(\$1,761,178)
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,326,546
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	\$232,266
Income Taxes	41,268
Grants	<u>18,455</u>
 Total	 291,989
Long-term liabilities payable, such as compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	 <u>(353,622)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>(\$496,265)</u></u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Fiscal Year Ended June 30, 2011*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,955,625	\$0	\$1,955,625
Income Taxes	220,984	0	220,984
Intergovernmental	2,580,700	634,453	3,215,153
Interest	1,315	0	1,315
Tuition and Fees	202,001	0	202,001
Extracurricular Activities	21,972	43,973	65,945
Contributions and Donations	7,726	236	7,962
Charges for Services	10,570	88,221	98,791
Rentals	0	87,067	87,067
Miscellaneous	7,857	2,923	10,780
<i>Total Revenues</i>	<u>5,008,750</u>	<u>856,873</u>	<u>5,865,623</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	2,307,625	96,854	2,404,479
Special	800,771	141,649	942,420
Vocational	103,995	0	103,995
Student Intervention	638,307	5,586	643,893
Support Services:			
Pupil	104,547	65,715	170,262
Instructional Staff	92,765	0	92,765
Board of Education	34,332	0	34,332
Administration	489,400	93,242	582,642
Fiscal	228,475	174	228,649
Operation and Maintenance of Plant	684,611	54,328	738,939
Pupil Transportation	519,439	24,976	544,415
Central	10,172	8,175	18,347
Extracurricular Activities	87,296	31,846	119,142
Operation of Food Service	0	166,408	166,408
Operation of Non-Instructional Services	3,961	83	4,044
Capital Outlay	20	207,344	207,364
Debt Service:			
Interest and Fiscal Charges	2,479	4,590	7,069
<i>Total Expenditures</i>	<u>6,108,195</u>	<u>900,970</u>	<u>7,009,165</u>
<i>Excess of Revenues Under Expenditures</i>	<u>(1,099,445)</u>	<u>(44,097)</u>	<u>(1,143,542)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers In	0	1,350	1,350
Transfers Out	(1,350)	0	(1,350)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,350)</u>	<u>1,350</u>	<u>0</u>
<i>Net Change in Fund Balances</i>	(1,100,795)	(42,747)	(1,143,542)
<i>Fund Balances (Deficit) Beginning of Year (Restated - See Note 3)</i>	<u>(680,368)</u>	<u>62,732</u>	<u>(617,636)</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,781,163)</u>	<u>\$19,985</u>	<u>(\$1,761,178)</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2011*

**Net Change in Fund Balances - Total Governmental Funds** (\$1,143,542)

*Amounts reported for governmental activities in the  
statement of activities are different because*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$246,759
Current Year Depreciation	<u>(110,682)</u>

Total 136,077

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Property Taxes	119,248
Income Taxes	41,268
Grants	<u>13,515</u>

Total 174,031

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

(56,036)

*Change in Net Assets of Governmental Activities* (\$889,470)

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property Taxes	\$1,974,043	\$1,910,220	\$1,923,278	\$13,058
Income Taxes	137,893	133,973	134,347	374
Intergovernmental	2,654,479	2,614,811	2,585,530	(29,281)
Interest	1,500	1,500	1,309	(191)
Tuition and Fees	207,333	203,835	202,001	(1,834)
Extracurricular Activities	24,200	24,200	21,972	(2,228)
Contributions and Donations	6,600	6,600	7,726	1,126
Charges for Services	6,200	7,193	10,570	3,377
Miscellaneous	5,000	5,000	7,538	2,538
<i>Total Revenues</i>	<u>5,017,248</u>	<u>4,907,332</u>	<u>4,894,271</u>	<u>(13,061)</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	1,774,868	2,470,539	2,363,226	107,313
Special	791,510	1,257,130	1,116,058	141,072
Vocational	88,834	135,954	114,726	21,228
Student Intervention	497,829	638,307	638,307	0
Support Services:				
Pupil	78,990	104,831	104,831	0
Instructional Staff	77,279	99,433	99,433	0
Board of Education	25,364	35,778	35,778	0
Administration	398,625	513,298	513,298	0
Fiscal	179,790	233,474	233,474	0
Operation and Maintenance of Plant	545,462	766,822	766,822	0
Pupil Transportation	454,723	621,726	621,726	0
Central	7,139	9,154	9,154	0
Extracurricular Activities	70,010	89,769	89,769	0
Operation of Non-Instructional Services	0	20,387	3,961	16,426
Capital Outlay	16	20	20	0
Debt Service:				
Interest and Fiscal Charges	1,933	2,479	2,479	0
<i>Total Expenditures</i>	<u>4,992,372</u>	<u>6,999,101</u>	<u>6,713,062</u>	<u>286,039</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>24,876</u>	<u>(2,091,769)</u>	<u>(1,818,791)</u>	<u>272,978</u>
<b>Other Financing Sources (Uses)</b>				
State Solvency Assistance Advance Proceeds	0	2,170,000	2,170,000	0
Transfers In	0	10,000	0	(10,000)
Transfers Out	(1,053)	(1,350)	(1,350)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,053)</u>	<u>2,178,650</u>	<u>2,168,650</u>	<u>(10,000)</u>
<i>Net Change in Fund Balance</i>	23,823	86,881	349,859	262,978
<i>Fund Balance Beginning of Year</i>	61,250	61,250	61,250	0
Prior Year Encumbrances Appropriated	1,207	1,207	1,207	0
<i>Fund Balance End of Year</i>	<u>\$86,280</u>	<u>\$149,338</u>	<u>\$412,316</u>	<u>\$262,978</u>

See accompanying notes to the basic financial statements

**Ledgemont Local School District**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*June 30, 2011*

---

---

**Assets**

Equity in Pooled Cash and Cash Equivalents	<u><u>\$106,797</u></u>
--	-------------------------

**Liabilities**

Due to Students	<u><u>\$106,797</u></u>
-----------------	-------------------------

See accompanying notes to the basic financial statements



**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 1 - Description of the School District and Reporting Entity**

Ledgemont Local School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio.

The School District operates under a locally-elected five-member Board form of government. Each member is elected to a four year term. The School District provides educational services as authorized by State and federal agencies. This Board of Education controls the School District’s two instructional/support facilities staffed by 24 classified employees, 42 certificated full-time and part-time teaching personnel, 4 administrators and 6 specialists who provide services to 554 students and other community members.

On November 9, 2010, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). In accordance with the law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission’s primary charge is to develop, adopt and implement a financial recovery plan. The Commission is comprised of two appointees of the State Superintendent of Public Instruction, an appointee of the State Director of Budget and Management, an appointee of the Governor, and an appointee of the Geauga County Auditor. Once the plan is adopted, the Board of Education’s discretion is limited in all financial activity of the School District must be in accordance with the plan.

The Financial Recovery Plan was adopted on February 28, 2011. Under State law, the School District must annually update its financial recovery plan. The recovery plan includes reductions of several teachers and supervisors, reducing several positions to part-time during fiscal year 2012. See Note 21 for more information on the School District’s fiscal emergency status.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Ledgemont Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes. The School District has no component units.

The School District participates in three jointly governed organizations. These organizations are the Lake Geauga Computer Association, the Ohio Schools’ Council and the Ashtabula Joint Vocational School. These organizations are presented in Note 18 to the basic financial statements.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the Ledgemont Local School District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the School District's accounting policies are described below.

***Basis of Presentation***

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. These statements usually distinguish between those activities of the School District that are governmental and those that are considered business-type. The School District, however has no business-type activities.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

***Fund Financial Statements*** During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into two categories, governmental and fiduciary.

***Governmental Funds*** Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the School District's major governmental fund:

**General Fund** The general fund is the operating fund of the School District and is used to account and report for all financial resources except those required to be accounted and reported for in another fund. The general fund balance is available to the School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the School District account for grants and other resources whose use is restricted, committed or assigned to a particular purpose.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the School District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the School District's own programs. The School District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency funds account for student activities, student scholarships, Frances Spath Leighton and the Pell Grants.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

**Fund Financial Statements** All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statement presented for the fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

**Revenues - Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

the current fiscal year. For the School District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the fiscal year in which the income is earned and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: property taxes available as an advance, interest, tuition, grants, fees and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

***Expenses/Expenditures*** On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

***Budgetary Data***

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of budgetary control has been established by the Board of Education at the fund level for all funds. The Treasurer has been given the authority to allocate board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

budgeted amounts in the budgetary statements reflect the amounts in the amended certificate that was in effect at the time the original and final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budgeted amounts reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the fiscal year. Prior to June 30, the Board passed an appropriation resolution which matched actual expenditures during the fiscal year plus encumbrances outstanding at fiscal year end in the majority of categories.

***Cash and Cash Equivalents***

To improve cash management, cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the School District's records. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements. The School District had no investments during the fiscal year or at fiscal year end.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$1,315 which includes \$371 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

***Inventory***

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of donated and purchased food and supplies held for consumption.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include unspent resources restricted for the purchase of buses and amounts required by State statute to be set aside for the purchase of textbooks and the acquisition or construction of capital assets. See Note 19 for additional information regarding set-asides.

***Capital Assets***

The School District's only capital assets are general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The School District was able to estimate the historical cost for the initial reporting assets by backtrending (i.e., estimating the current replacement cost of the asset to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 years
Buildings and Improvements	20 to 50 years
Furniture and Equipment	5 to 20 years
Vehicles	8 years

***Interfund Balances***

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Interfund loans which do not represent available expendable resources are classified as nonspendable fund balance. Interfund balances are eliminated in the governmental activities column of the statement of net assets.

***Compensated Absences***

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund from which the employee who has accumulated unpaid leave is paid.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions that will be paid

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

***Fund Balance***

Fund balance is divided into five classifications based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

***Restricted*** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned*** Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

***Unassigned*** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The School District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

Net assets restricted for other purposes include instructional services, food service operations and extracurricular activities.

The School District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 3 – Change in Accounting Principles and Restatement of Fund Balance**

***Change in Accounting Principles***

For fiscal year 2011, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the School District’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments by updating and improving existing standards regarding financial reporting of certain financial instruments and external investment pools. The implementation of this statement did not result in any change in the School District’s financial statements.

***Restatement of Prior Year’s Fund Balance***

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported.



**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ending June 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
Fund Balance at June 30, 2010	(\$701,790)	\$84,154	(\$617,636)
Change in Fund Structure	21,422	(21,422)	0
Adjusted Fund Balance at July 1, 2010	(\$680,368)	\$62,732	(\$617,636)

**Note 4 – Fund Balances**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Other Governmental Funds	Total Governmental Funds
<i><b>Nonspendable</b></i>			
Inventory	\$15,830	\$3,744	\$19,574
Interfund Loan	10,268	0	10,268
<i>Total Nonspendable</i>	26,098	3,744	29,842
<i><b>Restricted for</b></i>			
Athletics	0	24,254	24,254
Classroom Facilities Maintenance	0	40,413	40,413
Teacher and Career Development	0	1,605	1,605
Technology Improvements	0	64	64
Regular Instruction	0	83,241	83,241
Textbooks	238,626	0	238,626
Capital Improvements	280,407	0	280,407
Debt Service Payments	0	63,670	63,670
<i>Total Restricted</i>	519,033	213,247	732,280
<i><b>Committed to</b></i>			
Other Purposes	10,741	0	10,741
<i>Unassigned (Deficit)</i>	(2,337,035)	(197,006)	(2,534,041)
<i>Total Fund Balances (Deficit)</i>	(\$1,781,163)	\$19,985	(\$1,761,178)

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 5 – Accountability and Compliance**

*Accountability*

At June 30, 2011, the following funds have deficit fund balances:

<b>General Fund</b>	\$1,781,163
<b>Special Revenue Funds:</b>	
Title VI-B	2,594
Title I	15,586
<b>Capital Projects Fund:</b>	
Permanent Improvement	176,827

The general fund concluded fiscal year 2011 with a deficit fund balance of \$1,781,163. The School District has experienced a financial shortfall which has resulted in deficit spending in the general fund. To alleviate the financial shortfall, the School District has developed a strategy to stabilize its cash shortfall. See Note 21 for further information.

The special revenue and capital projects funds' deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficits in these funds and provides transfers when cash is required, rather than when accruals occur.

*Legal Compliance*

The School District did not deposit cash receipts in accordance with Ohio Revised Code section 9.38. Management has indicated that procedures will be updated to ensure compliance with this law.

The School District did not maintain purchase orders for checks which is contrary to Ohio Revised Code section 149.41. Management has indicated all public records will be maintained in accordance with law.

The School District had purchase orders dated subsequent to the invoice date which is contrary to Ohio Revised Code section 5705.41 (D). Management has indicated that funds will be properly certified prior to entering into an order or contract.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 6 - Budgetary Basis of Accounting**

While the School District is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual, general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as an assignment of fund balance (GAAP).
4. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but which is reported on the GAAP basis operating statements.

The following table summarize the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements on a fund type basis for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$1,100,795)
Net Adjustment for Revenue Accruals	(114,154)
State Solvency Assistance Advance Proceeds	2,170,000
Net Adjustment for Expenditure Accruals	(317,156)
Ending Unrecorded Cash	(325)
Adjustment for Encumbrances	(287,711)
Budget Basis	<u><u>\$349,859</u></u>

**Note 7 - Deposits and Investments**

Monies held by the School District are classified by State statute into three categories.

Active deposits are public deposits determined to be necessary to meet current demands on the School District Treasury. Active monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided;
4. Bonds and other obligations of the State of Ohio;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2);
7. The State Treasurer's investment pool (STAR Ohio); and
8. Commercial paper and bankers acceptances if training requirements have been met.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

**Note 8 – Receivables**

Receivables at June 30, 2011, consisted of taxes and grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes. All receivables, except for delinquent property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

***Intergovernmental Receivables***

A summary of the principal items of intergovernmental receivables follows:

<u>Governmental Activities</u>	<u>Amount</u>
Reducing Class Size Grant	\$13,189
Title I Grant	9,863
Title VI-B Grant	8,996
Race to the Top Grant	5,680
School Employee Retirement System	4,044
Food Service Subsidy	<u>2,589</u>
Total Intergovernmental Receivables	<u><u>\$44,361</u></u>

***Property Taxes***

Property taxes are levied and assessed on a calendar year basis while the School District's fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the School District. Real property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in calendar year 2011 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2010 (other than public utility property tax) represents the collection of 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009, on the value as of December 31, 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Geauga and Ashtabula Counties. The County Auditors periodically advance to the School District its portion of the taxes collected. Second-half real property tax payments collected by the counties by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$202,655 in the general fund. The amount available as an advance at June 30, 2010 was \$170,308 in the general fund.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$98,535,340	96.60 %	\$98,351,950	96.87 %
Public Utility	2,541,170	2.49	2,603,960	2.57
Tangible Personal Property	922,730	0.90	568,970	0.56
	<u>\$101,999,240</u>	<u>100.00 %</u>	<u>\$101,524,880</u>	<u>100.00 %</u>
Tax rate per \$1,000 of assessed valuation	\$51.20		\$51.20	

***Income Taxes***

The School District levied a voted tax of .75 percent for general operations on the income of residents and of estates. The tax was effective on January 1, 2002, and was a seven year tax which expired December 2008. The School District received delinquencies during fiscal year 2011. In May of 2010, a 1.25 percent income tax levy was passed by the voters. The new tax was effective on January 1, 2011 and is a five year tax that will expire December 2015. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the general fund.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 9 - Employee Benefits**

***Compensated Absences***

The criteria for determining vacation and sick leave benefits is derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Vacation days are credited to classified employees as directed under their contract. Accumulated unused vacation time is paid to classified employees upon termination of employment, with some restrictions. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. One-fourth of unused sick time is paid at retirement up to a maximum of 80 days. The number of unused sick days which can be accumulated is 320.

***Insurance***

Medical, surgical, vision and dental insurance is offered to employees through Anthem Blue Cross Insurance Company. In order to receive a better premium rate, the School District has agreed to a plan for medical/surgical with a deductible of \$1,000 and \$3,300 for single and family coverage, respectively. Employees are responsible for a deductible of \$100 for single and \$200 for family coverage and the School District is responsible for the remaining amounts. The School District utilizes Vantage Financial Group, a third party administrator, to track the claims paid until the deductible has been reached. The premium for certified employees is \$634 for single and \$1,500 for family per month. The premium for classified employees is \$634 for single and \$1,515 for family per month.

Life insurance is offered to employees through MetLife Insurance Company of Des Moines, Iowa. Administrators, supervisors, certified, custodial and clerical employees receive \$50,000 for \$5.66 per month. All premiums are paid by the School District.

**Note 10 - Contingencies**

**Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of the School District, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2011.

***Litigation***

The Ledgemont Local School District is not a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
For the Fiscal Year Ending June 30, 2011

**Note 11 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated:</i>				
Land	\$119,100	\$0	\$0	\$119,100
<i>Capital Assets, being depreciated:</i>				
Land Improvements	575,271	0	0	575,271
Buildings and Improvements	4,777,157	0	0	4,777,157
Furniture and Equipment	807,350	211,259	0	1,018,609
Vehicles	448,447	35,500	(129,007)	354,940
<i>Total Capital Assets, being depreciated</i>	<u>6,608,225</u>	<u>246,759</u>	<u>(129,007)</u>	<u>6,725,977</u>
Less Accumulated Depreciation:				
Land Improvements	(501,730)	(7,601)	0	(509,331)
Buildings and Improvements	(3,861,672)	(64,598)	0	(3,926,270)
Furniture and Equipment	(783,548)	(27,115)	0	(810,663)
Vehicles	(389,906)	(11,368)	129,007	(272,267)
<i>Total Accumulation Depreciation</i>	<u>(5,536,856)</u>	<u>(110,682) *</u>	<u>129,007</u>	<u>(5,518,531)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>1,071,369</u>	<u>136,077</u>	<u>0</u>	<u>1,207,446</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$1,190,469</u>	<u>\$136,077</u>	<u>\$0</u>	<u>\$1,326,546</u>

\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$65,820
Special	1,718
Support Services:	
Pupil	26
Administration	820
Fiscal	266
Operation and Maintenance of Plant	5,524
Pupil Transportation	26,060
Extracurricular Activities	8,343
Food Service Operations	2,105
Total Depreciation Expense	<u>\$110,682</u>

In 2010, capital assets were reclassified between asset classes. This did not affect the net capital assets reported on the Statement of Net Assets.



**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

**Note 12 - Risk Management**

The School District is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For fiscal year 2011, the School District contracted with various insurance companies. Coverage is as follows:

Company	Type of Coverage	Coverage
Ohio Casualty	Building and Contents - replacement cost	\$14,948,986
	Extra Expense Coverage	1,000,000
	Inland Marine Coverage	991,006
	Crime Insurance	150,000
Travelers Insurance Company	Boiler and Machinery	30,000,000
	Spoilage	100,000
	Expediting Expenses	100,000
	Hazardous Substance	100,000
	Ammonia Contamination	100,000
	Water Damage	100,000
	Media	25,000
	Off Premises Service Interruption	1,000,000
	Ordinance or Law	1,000,000
Ohio Casualty	Automobile Liability	1,000,000
	Uninsured Motorist	250,000
	Umbrella (per occurrence)	4,000,000
	General Liability	
	Per Occurrence	1,000,000
	Aggregate	2,000,000

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from last year.

The School District pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 13 - Defined Benefit Pension Plans**

*School Employee Retirement System*

Plan Description – The School District participates in the School Employees Retirement System (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2011, the allocation to pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Medicare B and Health Care funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$74,500, \$83,855 and \$63,121 respectively. The full amount has been contributed for fiscal years 2011, 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contributions to STRS Ohio for the DB Plan and for the defined benefit portion of the Combined Plan were \$263,359 and \$992 for the fiscal year ended June 30, 2011, \$275,108 and

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

\$1,320 for the fiscal year ended June 30, 2010, and \$285,681 and none for the fiscal year ended June 30, 2009. For fiscal year 2011, 87.45 percent has been contributed for the DB plan and 87.45 percent has been contributed for the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

Contributions made to STRS Ohio for the DC Plan and for fiscal year 2011 were \$476 made by the School District and \$340 made by the plan members. In addition, member contributions of \$709 were made for fiscal year 2011 for the defined contribution portion of the Combined Plan.

***Social Security System***

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2011, three members of the Board of Education have elected Social Security. The contribution rate is 6.2 percent of wages.

**Note 14 - Post Employment Benefits**

***School Employee Retirement System***

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligation to contribute are established by SERS based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2011, 1.43 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2011, this amount was \$35,800. During fiscal year 2011, the School District paid \$9,160 in surcharge.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$18,181, \$12,946 and \$28,887 respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$4,794, \$4,987 and \$5,208 respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

***State Teachers Retirement System***

Plan Description – The School District participates in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$21,052, \$21,537 and \$22,117 respectively. For fiscal year 2011, 87.45 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2010 and 2009.

**Note 15 – Operating Leases**

In fiscal year 2008, the School District entered into a 36 month operating lease agreement for an office duplicator, with financing through Wells Fargo Financial. The agreement is for \$97 per month. This lease was paid off during fiscal year 2011. In addition, during fiscal year 2009, the School District entered into a 60 month operating lease agreement for two office copiers with financing through Wells Fargo Financial. The agreement is for \$533 per month. Both leases are non-cancelable leases with automatic renewal at the end of the term. A notification of at least 60 days and not more than 120 days is required to terminate the leases. The payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Copiers</u>
2012	6,396
2013	6,396
2014	<u>1,066</u>
	<u><u>\$13,858</u></u>

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

**Note 16 – Fund Obligations**

The School District’s note activity, including amount outstanding and interest rate, is as follows:

	Outstanding June 30, 2010	Additions	Deletions	Outstanding June 30, 2011
2011 0.00%				
State Solvency Assistance Advance	\$0	\$2,170,000	\$0	\$2,170,000
2011 3.88%				
Tax Anticipation Notes	0	200,000	0	200,000
<b>Total Fund Obligations</b>	<b>\$0</b>	<b>\$2,370,000</b>	<b>\$0</b>	<b>\$2,370,000</b>

During fiscal year 2011, the School District received an interest free State solvency assistance advance in the amount of \$2,170,000. The State solvency assistance advance will be paid from the general fund with school foundation revenue. A liability for the note is reflected in the general fund which received the proceeds. In each fiscal year 2012 and 2013, the School District will pay \$1,085,000 to retire the solvency assistance advance.

On August 6, 2010, the School District issued \$200,000 in permanent improvement levy tax anticipation notes for the purpose of replacing the boiler in the elementary/middle school. The coupon interest rate is 3.88 percent and the notes mature on December 1, 2015. The tax anticipation notes will be paid from the permanent improvement capital projects fund with property tax revenues. Principal and interest payments to retire the tax anticipation notes are as follows:

	Principal	Interest	Total
2012	\$37,000	\$7,868	\$44,868
2013	39,000	6,430	45,430
2014	40,000	4,878	44,878
2015	41,000	3,304	44,304
2016	43,000	1,692	44,692
<b>Total</b>	<b>\$200,000</b>	<b>\$24,172</b>	<b>\$224,172</b>

**Note 17 - Long-Term Obligations**

The changes in the School District’s long-term obligations during fiscal year 2011 were as follows:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11	Amount Due in One Year
Compensated Absences	\$297,586	\$121,659	\$65,623	\$353,622	\$27,464

Compensated absences will be paid from the general fund and the food service, title VI-B and title I special revenue funds.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

The School District's overall legal debt margin was \$9,086,032 with an unvoted debt margin of \$100,956 at June 30, 2011.

**Note 18 - Jointly Governed Organizations**

***Lake Geauga Computer Association*** The Lake Geauga Computer Association (LGCA) is a jointly governed organization that was formed for the purpose of providing computer services for accounting, grading, scheduling, EMIS and other applications to its eighteen member school districts. Each of the districts supports LGCA based upon a per pupil charge. The executive committee (governing board) consists of the superintendents and treasurers of the member school districts. The degree of control exercised by any participating school district is limited to its representation on the governing board. LGCA's continued existence is not dependent on the School District's continued participation. LGCA is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit or burden on the School District. In fiscal year 2011, the School District paid \$55,363 to the LGCA. Financial information can be obtained from: Lake Geauga Computer Association, 8221 Auburn Road, Painesville, Ohio 44077.

***Ohio Schools' Council*** The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Association. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2011, the School District paid \$35,585 to the Ohio Schools' Council. Financial information can be obtained by contacting Dr. David A. Cottrell, the Executive Director at the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

The School District participates in the Council's electric purchase program. The Council provides 238 school districts and 11 MR/DD boards in the First Energy territory (Cleveland Electric Illuminating, Ohio Edison, Toledo Edison) the ability to purchase electricity at reduced rates. Each month, the Council invoiced participants based on estimated payments which are compared to their actual usage for the year (July to June). Refund checks were issued to districts that consumed less than their projected usage of electrical energy and districts that over-consumed are invoiced. With the end of the program on December 31, 2008, the School District purchased its electricity from the local area utility, First Energy. In late October 2009, the School District joined a new Ohio School Council consortium electricity purchase program which provides for additional discounts above what the School District would receive otherwise.

***Ashtabula Joint Vocational School*** The Ashtabula Joint Vocational School is a jointly governed organization among eleven school districts. The governing board consists of the superintendents of the member school districts. The students of each participating school district may attend classes offered at the vocational facility. Continued existence of the Ashtabula Joint Vocational School is not dependent on the School District's continued participation. In fiscal year 2011, the School District paid \$1,760 to the Ashtabula Joint Vocational School. Financial information can be obtained by writing the Ashtabula Joint Vocational School, 1565 State Route 167, Jefferson, Ohio 44047.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

**Note 19 – Set-Asides**

The School District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for acquisition and construction of capital improvements. Amounts not spent by fiscal year-end or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end and carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the fiscal year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set Aside Reserve Balance as of June 30, 2010	\$376,987	\$511,939
Current Year Set-Aside Requirement	0	0
Qualifying Disbursements	(138,361)	(231,532)
Totals	\$238,626	\$280,407
Set-Aside Reserve Balance as of June 30, 2011 and Carried Forward to Future Fiscal Years	\$0	\$280,407

The School District, under Ohio Revised Code 3315.17 and 3315.18, elected to suspend contributions into the textbooks and capital acquisitions for fiscal year 2011. The total reserve balance for the two set-asides at the end of the fiscal year was \$519,033. Effective July 1, 2011, the textbook set aside is no longer required and has been removed from existing law. This balance is therefore not presented as being carried forward to future fiscal years.

**Note 20 – Interfund Transfers and Balances**

***Interfund Transfers***

During fiscal year 2011, the School District transferred \$1,350 from the general fund to athletics special revenue fund for to move unrestricted balances to support programs and projects accounted for in other funds.

***Interfund Balances***

Interfund balances at June 30, 2011, consist of a general fund advance of \$10,268 to the title VI-B special revenue fund and a general fund advance of \$12,066 to the title 1 special revenue fund to support the programs of the fund. The \$10,268 advance to the title VI-B is not expected to be repaid within one year. The \$12,066 advance to the title 1 special revenue fund will be repaid within one year.

**Ledgemont Local School District**  
*Notes to the Basic Financial Statements*  
*For the Fiscal Year Ending June 30, 2011*

---

**Note 21 – Financial Difficulties**

On November 9, 2010, the Auditor of State declared the School District to be in a state of fiscal emergency as defined by Ohio Revised Code Section 3316.03(B)(1). Many factors have contributed to the School District's financial condition including significant reductions in State revenues, Statewide reductions in the funding formula as a result of the economic crisis, phase-out of the tangible personal property tax, increasing health care costs and the expiration of the income tax levy on December 31, 2008.

During fiscal year 2011, the School District started collecting the 1.25 percent income tax approved by voters in May of 2010. The new tax was effective on January 1, 2011 and is a five year tax that will expire December 1, 2015. The financial recovery plan was originally adopted on February 28, 2011 and includes several expenditure reductions for fiscal years 2012, 2013 and 2014.

On December 27, 2011, the School District issued Revenue Anticipation Notes in the amount of \$750,000 with an interest rate of 2.50 percent. The notes were issued for general operating expenses and will be repaid with the State Emergency Advance.



February 14, 2012

To the Board of Education  
Ledgemont Local School District  
16200 Burrows Road  
Thompson, Ohio 44086

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Ledgemont Local School District, Geauga County, Ohio (the School District) as of and for the year ended June 30, 2011, and have issued our report thereon dated February 14, 2012 wherein we noted the School District is experiencing financial difficulties and was declared to be in fiscal emergency under criteria established by Ohio Rev. Code Section 3316.03 (B) (1). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

Management of the School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

Ledgemont Local School District  
Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With Government Auditing Standards  
Page 2

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings as item #2011-01 to be a material weakness.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item #2011-02 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items #2011-03, #2011-04, and #2011-05.

We noted certain matters that we reported to management of the School District in a separate letter dated February 14, 2012.

The School District management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the School District management's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, and others within the entity and is not intended to be and should not be used by anyone other than those specified parties.

*Rea & Associates, Inc.*

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS  
JUNE 30, 2011**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
--

(d) (1) (i)	Type of Financial Statement Opinion	Unqualified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	Yes
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	Yes

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
---

**FINDING #2011-01  
Material Weakness – Financial Reporting**

**Criteria:** In 2010, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in an Audit, which supersedes SAS No. 112. This standard became effective for audits of financial statements for periods ending on or after December 15, 2009.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 115 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client’s internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 115 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

**Condition:** Other Governmental Funds (reporting unit) Intergovernmental payables and Support Services Pupil Transportation expense were understated by \$24,976. General Fund Income Tax Receivable and Deferred Revenue were understated by \$41,268. Governmental Activities Income Tax Revenue was understated by \$41,268. General Fund Assigned Fund Balance was overstated by \$287,864 and Unassigned Fund Balance was understated by \$287,864.

**Cause:** Services provided prior to June 30, 2011 were not properly included in accounts payable. Also, income taxes collected by the State in June 2011 and paid to the School District in October 2011 were not recognized as a receivable. Assigned fund balance was recorded in the General Fund for encumbrances, however the General Fund has a negative fund balance and therefore cannot have assigned fund balances.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2011-01 (Continued)  
Material Weakness – Financial Reporting**

**Effect:** The conditions described above resulted in material audit adjustments affecting income tax revenue, deferred revenue, income tax receivable, intergovernmental payable, intergovernmental revenue, charges for services, and support services expense.

**Recommendation:** To ensure the School District’s financial statements and notes to the financial statements are complete and accurate, the School District should adopt policies and procedures, including a final review of the statements and notes by the School District Treasurer and Board of Education, to identify and correct errors and omissions.

**Management Response:** Procedures will be implemented to ensure proper financial reporting. Ledgemont Local School District will consult with 3<sup>rd</sup> party accountants for accuracy.

**FINDING #2011-02  
Significant Deficiency – Capital Assets**

**Criteria:** A necessary step in internal control over financial reporting is to maintain and update capital asset records.

**Condition:** During the performance of audit procedures, we noted the School District’s capital asset records were not updated or maintained for additions or deletions.

**Cause:** The School District had an inventory valuation performed for fiscal year 2009 by an independent third party appraiser. There were few additions or deletions in fiscal year 2011, so the School District did not feel it would be cost effective to have an inventory performed. Capital asset records were updated by the third party financial statement preparer for proper recording.

**Potential Effect:** School District assets could be misappropriated or impaired and not properly reported due to the lack of updated capital asset records.

**Recommendation:** We recommend the School District update capital asset records based on an annual inventory and financial activity throughout the fiscal year.

**Management Response:** Procedures will be implemented to perform an annual inventory and update capital asset records annually.

**FINDING #2011-03  
Material Non-Compliance – Timely Deposits**

**Criteria:** Ohio Rev. Code (ORC) section 9.38 states, in part, that public money must be deposited with the treasurer of the public office or to designated depository on the business day following the day of receipt. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, in accordance with the Board of Education policy, the deposit must be made no later than three business days after receiving it. The policy includes provisions and procedures to safeguard money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the first business day following the date of receipt.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2011-03 (Continued)  
Material Non-Compliance – Timely Deposits**

**Condition:** During the performance of audit procedures, we noted a material amount of deposits were not made in accordance with ORC 9.38. We noted cash receipts for food service, extracurricular and class fees were being deposited as long as a week after the receipt dates.

**Cause:** Deposits collected by individuals outside of the Treasurer’s office including food service, extracurricular, and class fees are not being deposited with the Treasurer or in a designated depository no later than the business day following the day of receipt.

**Potential Effect:** Delays of this nature could cause receipts to be lost or misplaced without being detected in a timely manner.

**Recommendation:** We recommend the School District implement a policy and procedure to document when departments deposit money with the Treasurer’s office. We also recommend the School District deposit all cash collections in accordance with the above ORC section and board policy.

**Management Response:** Procedures have been implemented and communicated to the various departments to ensure timely deposits.

**FINDING #2011-04  
Material Non-Compliance – Records Retention**

**Criteria:** Ohio Rev. Code section 149.41 authorizes the School District to develop its own records commission and rules. The Board of Education has adopted a data and records retention policy which states, in part, all records are the property of the School District and are not removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the District Records Commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

**Condition:** During the performance of audit procedures, we noted 32 out of 89 checks in which the corresponding purchase order was not maintained and could not be produced. We were able to review the accounting system to see that the purchase order was created, however we could not test the accuracy of the information in the system since the signed purchase order was not maintained.

**Cause:** Due to turnover in the School District’s treasurer position documents were not properly maintained and could not be located.

**Potential Effect:** Failure to maintain signed purchase orders can lead to non-compliance and improper financial reporting.

**Recommendation:** We recommend the School District maintain all records in accordance with the ORC and Board of Education policies.

**Management Response:** Records are stored and tracked to ensure they are maintained in accordance with board policy.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF FINDINGS(Continued)  
JUNE 30, 2011**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)</b>
---

**FINDING #2011-05  
Material Non-Compliance – Certification of Funds**

**Criteria:** Ohio Rev. Code section 5705.41 (D) states, in part, no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by the statute:

- A. Then and Now Certificate – This exception provides that, if the fiscal officer can certify that both at the time the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is not legal liability on the part of the subdivision or taxing district.
  
- B. Amounts of less than \$3,000 may be paid by the fiscal officer without such affirmation of the taxing authority upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval or expenditures by the taxing authority.

**Condition:** During the performance of audit procedures, we noted 11 out of 23 purchase orders tested were dated after the invoice date. There was no evidence that the School District followed the aforementioned exceptions.

**Cause:** Purchases orders were not generated until after the receipt of the invoice.

**Potential Effect:** Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**Recommendation:** We recommend the School District certify the availability of funds prior to entering into any expenditure commitment.

**Management Response:** The Financial Department will utilize “Then and Now” Certificates.

**LEDGEMONT LOCAL SCHOOL DISTRICT  
GEAUGA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
June 30, 2011**

Finding Number	Finding Summary	Fully Corrected?	Noted Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2010-01	Bank Reconciliation Process	Yes	
2010-02	Financial Reporting - Cash Basis	Yes	
2010-03	SAS 115 - Material Audit Adjustments	No	Not corrected, reissued as finding #2011-01
2010-04	Capital Assets	No	Not corrected, reissued as finding # 2011-02
2010-05	ORC 9.38 - Timely Deposits	No	Not corrected, reissued as finding # 2011-03
2010-06	ORC 149.41 - Public Records	No	Not corrected, reissued as finding # 2011-04
2010-07	ORC 5705.41 (D) Certificate of fiscal officer	No	Not corrected, reissued as finding # 2011-05
2010-08	ORC 5705.39 Appropriations Exceeding Estimated Resources	No	Partially corrected, reissued as a management letter comment.
2010-09	ORC 5705.41 (B) and (D) Expenditures plus Encumbrances exceeding Appropriations	Yes	
2010-10	Account Coding	Yes	

February 14, 2012

Ledgemont Local School District  
Geauga County  
16200 Burrows Road  
Thompson, Ohio 44086

### **Independent Accountant's Report on Applying Agreed-Upon Procedures**

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether Ledgemont Local School District, Geauga County, Ohio has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on September 13, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management and the Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

*Rea & Associates, Inc.*





# Dave Yost • Auditor of State

**LEDGEMONT LOCAL SCHOOL DISTRICT**

**GEAUGA COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 21, 2012**