



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR

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REPORT OF INDEPENDENT ACCOUNTANTS

Leetonia Exempted Village School District
Columbiana County
450 Walnut Street
Leetonia, OH 44431

To the Board of Education:

We have audited the financial statements of the Leetonia Exempted Village School District, Columbiana County, as of and for the year ended June 30, 2001. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally excepted 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 opinion.

Ohio Administrative Code Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, combined fund cash balances and reserve for encumbrances of Leetonia Exempted Village School District as of June 30, 2001, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 02, 2002 on our consideration of the Leetonia Exempted Village School District's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Board of Education and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

December 02, 2002

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Governmental Fund Types | | | | Fiduciary Fund Type | Total (Memorandum Only) |
|--|---------------------------|-------------------------|-------------------------|---------------------------|------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendible Trust | |
| Cash Receipts: | | | | | | |
| Receipts from Local Sources: | | | | | | |
| Taxes | \$1,317,046 | \$22,415 | \$173,830 | \$169,105 | | \$1,682,396 |
| Transportation Fees | 9,527 | | | | | 9,527 |
| Earnings on Investment | 140,822 | | | 464,046 | 2,919 | 607,787 |
| Extracurricular Activities | 1,174 | 99,278 | | | | 100,452 |
| Classroom Materials and Fees | 16,296 | | | | | 16,296 |
| Miscellaneous Receipts | 6,043 | 1,978 | | 1,201 | 21,340 | 30,562 |
| Receipts from State Sources: | | | | | | |
| Unrestricted Grants-In-Aid | 3,404,902 | 2,693 | 21,399 | 21,079 | | 3,450,073 |
| Restricted Grants-In-Aid | | 76,934 | | 8,272,956 | | 8,349,890 |
| Revenue for/on Behalf of District | 115,118 | | | | | 115,118 |
| Receipts from Federal Sources: | | | | | | |
| Restricted Grants-In-Aid | | 231,692 | | | | 231,692 |
| Revenue for/on Behalf of District | | 7,838 | | | | 7,838 |
| Total Cash Receipts | <u>5,010,928</u> | <u>442,828</u> | <u>195,229</u> | <u>8,928,387</u> | <u>24,259</u> | <u>14,601,631</u> |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 2,394,186 | 58,373 | | 151,418 | | 2,603,977 |
| Special | 386,236 | 169,400 | | | | 555,636 |
| Vocational Education | 14,014 | | | | | 14,014 |
| Other | 8,055 | | | | | 8,055 |
| Support Services: | | | | | | |
| Pupils | 299,208 | 3,903 | | | 1,601 | 304,712 |
| Instructional Staff | 117,406 | 10,157 | | 1,740 | | 129,303 |
| Board of Education | 12,822 | | | | | 12,822 |
| School Administration | 435,603 | 11,342 | | | | 446,945 |
| Fiscal | 115,842 | | | | | 115,842 |
| Business | 0 | | | | | 0 |
| Operation and Maintenance - Plan | 399,388 | | | 892 | | 400,280 |
| Student Transportation | 205,926 | 2,815 | | | | 208,741 |
| Central | 38,902 | 1,310 | | | | 40,212 |
| Operation of Non-Instructional Services | | | | | | |
| Community Services | | 817 | | | | 817 |
| Other Operation of Non-Instruct. Serv | 31,865 | | | | | 31,865 |
| Extracurricular Activities: | | | | | | |
| Academic and Subject Oriented | | 1,576 | | | | 1,576 |
| Sports Oriented | 64,826 | 53,201 | | | | 118,027 |
| Co-Curricular Activities | | 29,681 | | | | 29,681 |
| Facilities Acquisition and Construction Services | | | | | | |
| Site Improvement | | | | 166,514 | | 166,514 |
| Architecture and Engineering | | | | 335,862 | | 335,862 |
| Building Acquisition and Construction | | | | 4,025,780 | | 4,025,780 |
| Other Facilities Acquisition and Construction | | | | 38,537 | | 38,537 |
| Repayment of Debt | | | 208,645 | | | 208,645 |
| Total Cash Disbursements | <u>4,524,279</u> | <u>342,575</u> | <u>208,645</u> | <u>4,720,743</u> | <u>1,601</u> | <u>9,797,843</u> |
| Excess of Cash Receipts (Under) | | | | | | |
| Cash Disbursements | <u>486,649</u> | <u>100,253</u> | <u>(13,416)</u> | <u>4,207,644</u> | <u>22,658</u> | <u>4,803,788</u> |
| Other Financing Sources (Uses): | | | | | | |
| Premium and Accrued Interest on Bonds/Notes Sold | | | | | | 0 |
| Sale and Loss of Assets | 33,283 | | | 34,000 | | 67,283 |
| Sale of Notes | | | | | | 0 |
| Transfers In | | | 239,800 | | | 239,800 |
| Advances In | 4,890 | | | | | 4,890 |
| Refund Prior Year Expenditure | 20 | | | | | 20 |
| Transfers Out | (239,800) | | | | | (239,800) |
| Advances Out | | (4,890) | | | | (4,890) |
| Total Other Financing Sources | <u>(201,607)</u> | <u>(4,890)</u> | <u>239,800</u> | <u>34,000</u> | | <u>67,303</u> |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing (Uses) | 285,042 | 95,363 | 226,384 | 4,241,644 | 22,658 | 4,871,091 |
| Fund Cash Balances, July 1, 2000 | <u>1,541,880</u> | <u>99,366</u> | <u>74,350</u> | <u>4,644,205</u> | <u>37,346</u> | <u>6,397,147</u> |
| Fund Cash Balances, June 30, 2001 | <u><u>\$1,826,922</u></u> | <u><u>\$194,729</u></u> | <u><u>\$300,734</u></u> | <u><u>\$8,885,849</u></u> | <u><u>\$60,004</u></u> | <u><u>\$11,268,238</u></u> |
| Reserved for Encumbrances, June 30, 2001 | <u><u>\$688</u></u> | <u><u>\$677</u></u> | | | | <u><u>\$1,365</u></u> |

The notes to the financial statements are an integral part of this statement.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES PROPRIETARY FUND TYPE AND SIMILAR FIDUCIARY FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| | Proprietary Fund Type | | Fiduciary Fund Type | Total (Memorandum Only) |
|--|-----------------------|------------------|------------------------|-------------------------------|
| | Enterprise | Internal Service | Agency | |
| Operating Cash Receipts: | | | | |
| Food Service | \$99,731 | | | \$99,731 |
| Extracurricular Activities | | 410 | 56,993 | 57,403 |
| Total Operating Cash Receipts | 99,731 | 410 | 56,993 | 157,134 |
| Operating Cash Disbursements: | | | | |
| Personal Services - Salaries | 71,988 | | | 71,988 |
| Employees' Retirement and Insurance | 34,015 | | | 34,015 |
| Purchased Services | 2,458 | 138,757 | | 141,215 |
| Supplies and Materials | 71,040 | 385 | | 71,425 |
| Other Objects | | 415,677 | 55,076 | 470,753 |
| Total Operating Cash Disbursements | 179,501 | 554,819 | 55,076 | 789,396 |
| Excess of Operating Cash Receipts (Under) Operating Cash Disbursements | (79,770) | (554,409) | 1,917 | (632,262) |
| Non-Operating Cash Receipts: | | | | |
| Miscellaneous Receipts | | 428,618 | | 428,618 |
| State Sources: | | | | |
| Unrestricted Grants-In-Aid | 3,941 | | | 3,941 |
| Federal Sources: | | | | |
| Unrestricted Grants-In-Aid | 70,264 | | | 70,264 |
| Total Non-Operating Cash Receipts | 74,205 | 428,618 | | 502,823 |
| Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances | (5,565) | (125,791) | 1,917 | (129,439) |
| Fund Cash Balances, July 1, 2000 | 16,481 | 551,160 | 15,757 | 583,398 |
| Fund Cash Balances, June 30, 2001 | \$10,916 | \$425,369 | \$17,674 | \$453,959 |
| Reserve for Encumbrances, June 30, 2001 | | | \$460 | \$460 |

The notes to the financial statements are an integral part of this statement.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| Fund Types/Funds | <u>Budget</u> | <u>Actual</u> | Variance Favorable <u>(Unfavorable)</u> |
|---------------------------------|-----------------------------------|-----------------------------------|--|
| Governmental Fund Types: | | | |
| General Fund | \$5,039,900 | \$5,044,231 | \$4,331 |
| Special Revenue Funds | 468,870 | 442,828 | (26,042) |
| Debt Service Funds | 220,000 | 435,029 | 215,029 |
| Capital Projects Funds | 8,928,900 | 8,962,387 | 33,487 |
| Proprietary Fund Type: | | | |
| Enterprise Funds | 173,000 | 173,936 | 936 |
| Internal Service Funds | 396,770 | 429,028 | 32,258 |
| Fiduciary Fund Type: | | | |
| Trust and Agency Funds | <u>80,260</u> | <u>81,252</u> | <u>992</u> |
| Total (Memorandum Only) | <u><u>\$15,307,700</u></u> | <u><u>\$15,568,691</u></u> | <u><u>\$260,991</u></u> |

The notes to the financial statements are an integral part of this statement.

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY

**COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2001**

| Fund Types/Funds | Prior Year Carryover Appropriations | 2001 Appropriations | Total | Actual 2001 Disbursements | Encumbrances Outstanding at 6/30/01 | Total | Variance Favorable (Unfavorable) |
|---------------------------------|---|----------------------------|----------------------------|------------------------------|---|----------------------------|--|
| Governmental Fund Types: | | | | | | | |
| General Fund | \$2,011 | \$5,000,000 | \$5,002,011 | \$4,764,080 | \$688 | \$4,764,768 | \$237,243 |
| Special Revenue Funds | 2,039 | 378,351 | 380,390 | 342,575 | 677 | 343,252 | 37,138 |
| Debt Service Funds | | 225,000 | 225,000 | 208,645 | | 208,645 | 16,355 |
| Capital Projects Funds | 132 | 6,215,000 | 6,215,132 | 4,720,743 | | 4,720,743 | 1,494,389 |
| Proprietary Fund Type: | | | | | | | |
| Enterprise Funds | 8 | 188,919 | 188,927 | 179,502 | | 179,502 | 9,425 |
| Internal Service Funds | | 600,750 | 600,750 | 554,819 | | 554,819 | 45,931 |
| Fiduciary Fund Type: | | | | | | | |
| Trust and Agency Funds | 517 | 58,750 | 59,267 | 56,677 | 460 | 57,137 | 2,130 |
| Total (Memorandum Only) | <u>\$4,707</u> | <u>\$12,666,770</u> | <u>\$12,671,477</u> | <u>\$10,827,041</u> | <u>\$1,825</u> | <u>\$10,828,866</u> | <u>\$1,842,611</u> |

The notes to the financial statements are an integral part of this statement.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Leetonia Exempted Village School District, Columbiana County, (the 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. Leetonia Exempted Village School District is an exempted village school district as defined by Section 3311.03 of the Ohio Revised Code. The School District operates under an elected Board of Education (5 members) and is responsible for the provision of public education to residents of the School District.

Average daily membership (ADM) as of October 1, 2000 was 863. The School District employed 59 certificated employees and 28 non-certificated employees.

Management believes the financial statements included in this report represent all of the funds of the School District over which the School District has the ability to exercise direct operating control.

B. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the School District chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. This basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education..

C. Investments

Investment procedures are restricted by the provisions of the Revised Code. Purchased investments are valued at cost and are neither charged when purchased nor credited at the time of redemption to their respective fund balances. Interest earned is recognized and recorded when received.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Fund Accounting

The School District uses fund accounting to segregate cash and investments that are restricted as to use. The School District classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund and is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

2. Special Revenue Funds

Special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to disbursements for specified purposes.

3. Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical.

4. Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

5. Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purpose.

6. Internal Service Funds

Internal Service funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies of the District, or other governments, on a cost reimbursement basis.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

7. Trust & Agency Funds

Trust and Agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include Expendable Trust and Agency Funds.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the county auditor, as secretary of the county budget commission, by January 20 of each year, for the period July 1 to June 30 of the following year.

2. Estimated Resources

The county budget commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include July 1, 2000 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

The School District is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Property, Plant and Equipment

Fixed assets acquired or constructed for general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund- type eliminations have not been made in the aggregation of this data.

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave incertain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 1.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds.

Legal Requirements: Statutes require the classification of monies held by the School District into three categories.

Category A consists of "active" monies, those monies required to be kept in a "cash" or "near cash" status for immediate use by the School District. Such monies must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" monies, those monies not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, 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 any 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;

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

2. EQUITY IN POOLED CASH AND INVESTMENTS- (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any one time; and, [delete if treasurer has not attended necessary training program]
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Deposits - At June 30, 2001, the carrying amount of the School District's deposits was \$6,890,595 and the bank balance was \$7,043,510. Of the bank balance, \$300,670 was covered by federal depository insurance; and \$6,742,840 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

1. Securities held by the entity or its agent in the entity's name (Category 1).
2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).
3. Securities held by the counterparty, or by its trust department or agent but not in the entity's name (Category 3).

| | Category 3 | Carrying Value | Market Value |
|--------------------------|--------------------|-----------------------|---------------------|
| Repurchase Agreements | \$3,150,000 | \$3,150,000 | \$3,150,000 |
| Star Ohio (*) | _____ | <u>\$1,681,602</u> | <u>\$1,681,602</u> |
| Total Investments | <u>\$3,150,000</u> | <u>\$4,831,602</u> | <u>\$4,831,602</u> |

(*) Star Ohio is an unclassified investment as it does not exist in physical or book entry form.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

3. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every three years with a triennial update. The last update for Columbiana County was completed for tax year 1998 and 1999 for Mahoning County.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Columbiana County and Mahoning County tax rates are combined. The full tax rate applied to real property for the tax (calendar) year 2001 was \$43.96 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$35.46 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$35.45 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2001 was \$43.96 per \$1000 of assessed valuation.

| | Columbiana County | Mahoning County |
|---|------------------------------|------------------------|
| Real Property-2000 Valuation | | |
| Commercial/Industrial | \$ 3,895,000 | \$ 30,870 |
| Residential/Agricultural | 38,983,000 | 559,270 |
| Gas/Oil/Minerals | 18,600 | 0 |
| Tangible Personal Property - 2000 Valuation | | |
| General | 2,872,000 | 147,630 |
| Public Utilities | <u>4,113,100</u> | <u>73,270</u> |
| Total Valuation | \$49,881,700 | \$811,040 |

The Columbiana County Treasurer and the Mahoning County Treasurer collect property taxes on behalf of all taxing districts within their respective county. The Columbiana County Auditor and the Mahoning County Auditor periodically remit to the taxing districts their portions of the taxes collected.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

4. DEBT

Debt outstanding at outstanding at June 30, 2001 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--------------------------|------------------|----------------------|
| General Obligation Notes | \$ 207,500 | 5.00 to 5.35% |
| General Obligation Bonds | \$1,575,000 | 5.36% |

Outstanding general obligation notes consisted of three school building energy conservation notes.

These notes are to be repaid as follows:

The 1993 note is to be repaid utilizing one annual interest and principal payment through September 2003.

The 1996 note is to be repaid utilizing quarterly interest payments and one annual principal payment through December 2004.

The 2000 note is to be repaid utilizing quarterly interest payments and one annual principal payment through July 2004.

Outstanding general obligation bonds consist of school improvement issues. These bonds are direct obligations of the School District for which its full faith, credit, and resources are pledged, and are payable from taxes levied on all taxable property in the School District.

The School District incurred new debt obligations in 2001. These debt instruments were in the form of: (1) general obligation notes to be used to refinance the remaining balance of \$250,000 of a previous general obligation note. (2) general obligation bonds for school improvement including the construction of a new school building which will house all the district's students.

The annual requirements to amortize all outstanding bonded debt as of June 30, 2001, including interest payments of \$1,097,020 are presented below and the annual requirements to amortize all outstanding note debt as of June 30, 2001, including interest payments of \$ 21,866 are also presented below:

| <u>Year ending June 30:</u> | <u>General Obligation Bonds</u> | <u>General Obligation Notes</u> |
|---------------------------------|-------------------------------------|-------------------------------------|
| 2002 | 135,555 | 78,385 |
| 2003 | 133,230 | 74,654 |
| 2004 | 130,842 | 71,142 |
| 2005 | 128,392 | 5,185 |
| Subsequent | <u>2,144,001</u> | <u>0</u> |
| TOTAL | <u>2,672,020</u> | <u>229,366</u> |

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

5. INSURANCE

The School District maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 90% coinsured.

6. DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The School District contributes to the State Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefits pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute an actuarially determined rate of 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amounts, by the SERS Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal year ended June 30, 2001, 2000, 1999 were \$137,924, \$125,779, and \$112,669, respectively.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer defined benefits pension plan. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute an actuarially determined rate of 14 percent of annual covered payroll. The contribution rates are established by the STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$552,435, 535,185, and \$492,596, respectively.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

2. POSTEMPLOYMENT BENEFITS

For School Employees Retirement System (SERS), coverage is made available to service retirees with 10 or more years of qualifying service credit, disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.5 percent of covered payroll. In addition SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent contribution rate, provides for maintenance of the asset target level for the health care fund.

Health care benefits are financed on a pay-as-you-go basis. The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2001 were \$161,439,934 and the target level was \$242.2 million. At June 30, 2001, the SERS net assets available for payment of health care benefits was \$315.7 million. The number of participants receiving care benefits was approximately 50,000.

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Benefits provisions and the obligations to contribute are established by the STRS based on authority granted by State statute. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium.

By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the retirement board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund from payments for health care benefits are paid. The balance in the Health Care Reserve Fund for STRS was \$3.256 billion at June 30, 2001. For the year ended June 30, 2001, the net health care costs paid by the STRS were \$300,772,000 and eligible benefit recipients totaled 102,132.

3. HEALTH INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator. Benefit costs are funded and accounted for in the Self Insurance Fund.

4. STATE SCHOOL FUNDING DECISION

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

1. A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

9. STATE SCHOOL FUNDING DECISION - (Continued)

2. Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

The State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001. In November, 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 21, 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. The case is now under reconsideration by the Court.

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

10. SET-ASIDE CALCULATION AND FUND RESERVES

The District is required by State statute to annually set-aside an amount based on prior year revenues for the purchase of textbooks, and other instructional materials, and an additional amount for capital improvements. Amounts not spent by year end or offset by similarly restricted resources must be held in cash at year end and carried forward to be used for the same purpose in future years.

Effective April 10, 2001 AM. Sub Senate Bill 345 amended ORC Section 5709.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve, as of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Therefore, the reserve for budget stabilization for the portion attributed to BWC refunds will remain as a Set-aside reserved balance as of June 30, 2001.

| | <u>Textbooks</u> | <u>Capital Improvements</u> | <u>Budget Stabilization</u> |
|---|--------------------|---------------------------------|---------------------------------|
| Set-aside cash balance as of June 30, 2000 | (\$60,388) | \$0 | \$49,004 |
| Current year set-aside requirement | 109,464 | 109,464 | 0 |
| Qualifying Disbursements | <u>(195,574)</u> | <u>(137,711)</u> | <u>0</u> |
| Total | <u>(\$146,498)</u> | <u>(\$28,247)</u> | <u>\$49,004</u> |
| Set-Aside Carried Forward to Future Fiscal | (\$146,498) | \$ 0 | \$ 0 |
| Set-Aside Reserve Balance as of June 30,2001 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$49,004</u> |

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2001**

(Continued)

10. SET-ASIDE CALCULATION AND FUND RESERVES - (Continued)

The District has qualifying disbursements during the fiscal year that reduced the textbook set aside below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years. Although the District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future fiscal years. The total reserve balance for the three set-asides at the end of the fiscal year was \$49,004.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Leetonia Exempted Village School District
Columbiana County
450 Walnut Street
Leetonia, OH 44431

To the Board of Education:

We have audited the financial statements of Leetonia Exempted Village School District, Columbiana County (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 02, 2002 which noted the School District prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 117-2-03(B). 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.

Compliance

As part of obtaining reasonable assurance about whether Leetonia Exempted Village School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2001-11215-001. We also noted certain an instance of noncompliance that we have reported to management of Leetonia Exempted Village School District in a separate letter dated December 02, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Leetonia Exempted Village School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Leetonia Exempted Village School District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-11215-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2001-11215-002 to be a material weakness. We also noted an other matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to management of Leetonia Exempted Village School District in a separate letter dated December 02, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

December 02, 2002

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2001**

SCHEDULE OF FINDINGS

| |
|---|
| FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

Finding # 2001-11215-001

Ohio Administrative Code Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. The School District can be fined and various other administrative remedies may be taken against the School District.

Failing to follow generally accepted accounting principles is a condition sufficient for the Ohio Department of Education to place the District in a Fiscal Caution Status. This status requires the School District to submit a corrective action plan to the Department. The Auditor of State is referring this report to the Ohio Department of Education.

It is recommended that the School District prepare its annual financial report in accordance with generally accepted accounting principles.

Finding # 2001-11215-002

Student Activity Advisors did not always retain receipts issued to students and the receipts were not always dated and pre-numbered. These weaknesses reduce the control established over student activity receipts and is in noncompliance with the policies and procedures for student activity receipts established by the Board of Education.

It is recommended the Board of Education enforce the Board Policy on Student Activities by implementing the following procedures:

1. Require Student Activity Advisors to issue pre-numbered duplicate receipts and date the receipt when it is issued. This procedure establishes numerical sequence control and documents the date the receipt was issued which in turn indicates the date it should be deposited.
2. Require Student Activity Advisors to retain copies of receipts issued to students at the conclusion of a fund raiser to provide source information to substantiate the accuracy of the cash received from the fund raiser. The District should consider implementing a process to collect and centrally maintain these documents.

These procedures will help improve controls over Student Activity receipts.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

| Finding Number | Finding Summary | |
|---------------------------|---|---|
| 2000-11215-001 | Ohio Administrative Code Section 117-2-03, failure to Report on a GAAP Basis. | This finding was re-issued as finding #2000-11215-001 |
| 2000-11215-002 | The School District lacked controls over its student activities. | This finding was reissued as finding #2000-11215-002 |



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LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT

COLUMBIANA 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
JANUARY 7, 2003**