



**Auditor of State  
Betty Montgomery**



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Leetonia Exempted Village School District (the District) as of and for the year ended June 30, 2004. 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 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 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, the combined fund cash balances and reserves for encumbrances of the District as of June 30, 2004, 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 March 15, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of 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.

Leetonia Exempted Village School District  
Columbiana County  
Independent Accountants' Report  
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This report is intended solely for the information and use of the Board of Education, management, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 15, 2005

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCE  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Receipts from Local Sources:						
Taxes	\$1,440,277	\$22,516	\$133,305	\$45,512		\$1,641,610
Transportation Fees	13,401					13,401
Earnings on Investment	5,820			\$16,662	\$274	22,756
Extracurricular Activities	1,249	112,942				114,191
Classroom Materials and Fees	18,931					18,931
Miscellaneous Receipts	13,791				3,883	17,674
Revenue from Intermediate Sources:						
Revenue in Lieu of Taxes	25,169					25,169
Receipts from State Sources:						
Unrestricted Grants-In-Aid	4,017,686	3,210	20,492	5,145		4,046,533
Restricted Grants-In-Aid	373,149	47,008		24,200		444,357
Revenue for/on Behalf of the District	44,977					44,977
Receipts from Federal Sources:						
Restricted Grants-In-Aid		338,204				338,204
Revenue for/on Behalf of the District		12,230				12,230
<b>Total Cash Receipts</b>	<b>5,954,450</b>	<b>536,110</b>	<b>153,797</b>	<b>91,519</b>	<b>4,157</b>	<b>6,740,033</b>
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	3,228,871	100,093		25,862		3,354,826
Special	502,333	267,693				770,026
Vocational Education	5,617					5,617
Other	7,040					7,040
Support Services:						
Pupils	481,315	7,473			8,009	496,797
Instructional Staff	37,014	14,900		357		52,271
Board of Education	31,146					31,146
School Administration	592,819	43,098				635,917
Fiscal	128,245					128,245
Operation and Maintenance	633,003	55,542		1,908		690,453
Pupil Transportation	267,430					267,430
Central	21,985	7,112				29,097
Operation of Non-Instructional Services:						
Other Operation of Non-Instructional Services	40,259					40,259
Extracurricular Activities:						
Academic and Subject Oriented		3,499				3,499
Sports Oriented	3,539	68,928				72,467
Co-Curricular Activities	80,837	34,216				115,053
Facilities Acquisition and Construction Services:						
Site Improvement				941,640		941,640
Architecture Engineering				75,885		75,885
Building Acquisition and Construction				956,175		956,175
Building Improvement	6,275			7,352		13,627
Other Facilities Acquisition and Improvement				27,785		27,785
Debt Service:						
Principal Payments			50,000			50,000
Interest Payments			80,843			80,843
<b>Total Cash Disbursements</b>	<b>6,067,728</b>	<b>602,554</b>	<b>130,843</b>	<b>2,036,964</b>	<b>8,009</b>	<b>8,846,098</b>
Excess of Cash Receipts Over/(Under) Cash Disbursements	(113,278)	(66,444)	22,954	(1,945,445)	(3,852)	(2,106,065)
<b>Other Financing Sources (Uses):</b>						
Sale of Assets				76,135		76,135
Proceeds from Sale of Notes				1,650,000		1,650,000
Transfers-In		32,700				32,700
Advances-In	1,000,000					1,000,000
Transfers-Out	(92,700)					(92,700)
Advances-Out				(1,000,000)		(1,000,000)
<b>Total Other Financing Sources(Uses)</b>	<b>907,300</b>	<b>32,700</b>	<b>0</b>	<b>726,135</b>	<b>0</b>	<b>1,666,135</b>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	794,022	(33,744)	22,954	(1,219,310)	(3,852)	(439,930)
Fund Cash Balances, July 1, 2003	1,120,852	132,579	288,255	1,465,513	83,250	3,090,449
<b>Fund Cash Balances, June 30, 2004</b>	<b>\$1,914,874</b>	<b>\$98,835</b>	<b>\$311,209</b>	<b>\$246,203</b>	<b>\$79,398</b>	<b>\$2,650,519</b>
Reserves for Encumbrances, June 30, 2004	\$4,681	\$5,492	\$0	\$6,704	\$0	\$16,877

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 - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Food Services	\$112,750			\$112,750
Extracurricular Activities		\$626	\$50,684	51,310
Total Operating Cash Receipts	<u>112,750</u>	<u>626</u>	<u>50,684</u>	<u>164,060</u>
<b>Operating Cash Disbursements:</b>				
Personal Services - Salaries	85,637			85,637
Employees' Retirement and Insurance	34,251			34,251
Purchased Services	4,045	199,014		203,059
Supplies and Materials	85,953			85,953
Other Objects	153	483,346	52,772	536,271
Total Operating Cash Disbursements	<u>210,039</u>	<u>682,360</u>	<u>52,772</u>	<u>945,171</u>
Excess of Operating Cash Receipts Over / (Under) Operating Cash Disbursements	<u>(97,289)</u>	<u>(681,734)</u>	<u>(2,088)</u>	<u>(781,111)</u>
<b>Non-Operating Cash Receipts:</b>				
Miscellaneous Receipts		582,774		582,774
State Sources:				
Unrestricted Grants-In-Aid	4,447			4,447
Federal Sources:				
Unrestricted Grants-In-Aid	<u>108,329</u>			<u>108,329</u>
Total Non-Operating Cash Receipts	<u>112,776</u>	<u>582,774</u>	<u>0</u>	<u>695,550</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	15,487	(98,960)	(2,088)	(85,561)
Transfers-In		60,000		60,000
Net Receipts Over/(Under) Disbursements	<u>15,487</u>	<u>(38,960)</u>	<u>(2,088)</u>	<u>(25,561)</u>
Fund Cash Balances, July 1, 2003	<u>9,505</u>	<u>184,424</u>	<u>22,670</u>	<u>216,599</u>
<b>Fund Cash Balances, June 30, 2004</b>	<b><u>\$24,992</u></b>	<b><u>\$145,464</u></b>	<b><u>\$20,582</u></b>	<b><u>\$191,038</u></b>
Reserve for Encumbrances, June 30, 2004	<u>\$40</u>	<u>\$0</u>	<u>\$0</u>	<u>\$40</u>

*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, 2004**

<b>Fund Types/Funds</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Governmental Fund Types:</b>			
General Fund	\$6,927,800	\$5,954,450	(\$973,350)
Special Revenue Funds	546,370	568,810	22,440
Debt Service Funds	144,000	153,797	9,797
Capital Projects Funds	1,812,830	1,817,654	4,824
<b>Proprietary Fund Type:</b>			
Enterprise Funds	225,000	225,526	526
Internal Service Funds	641,100	643,400	2,300
<b>Fiduciary Fund Type:</b>			
Trust and Agency Funds	48,700	54,841	6,141
<b>Total (Memorandum Only)</b>	<b>\$10,345,800</b>	<b>\$9,418,478</b>	<b>(\$927,322)</b>

*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, 2004

Fund Types/Funds	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 06/30/04	Total	Variance Favorable (Unfavorable)
<b>Governmental Fund Types:</b>							
General Fund	\$2,436	\$6,250,000	\$6,252,436	\$6,160,428	\$4,681	\$6,165,109	\$87,327
Special Revenue Funds	24,686	619,480	644,166	602,554	5,492	608,046	36,120
Debt Service Funds	-	130,900	130,900	130,843	-	130,843	57
Capital Projects Funds	382,610	3,164,420	3,547,030	2,036,964	6,704	2,043,668	1,503,362
<b>Proprietary Fund Type:</b>							
Enterprise Funds	112	215,000	215,112	210,039	40	210,079	5,033
Internal Service Funds	-	707,500	707,500	682,360	-	682,360	25,140
<b>Fiduciary Fund Type:</b>							
Trust and Agency Funds	-	62,700	62,700	60,781	-	60,781	1,919
<b>Total (Memorandum Only)</b>	<u>\$409,844</u>	<u>\$11,150,000</u>	<u>\$11,559,844</u>	<u>\$9,883,969</u>	<u>\$16,917</u>	<u>\$9,900,886</u>	<u>\$1,658,958</u>

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Leetonia Exempted Village School District, Columbiana County, (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. 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, 2003 was 841. The School District employed 64 certificated employees and 35 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.

**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.

**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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**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 School District, or other governments, on a cost reimbursement basis.

**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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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, 2003 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.

**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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 in certain 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 are 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 are 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;
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;

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

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

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 banker's 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.
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, 2004, the carrying amount of the School District's deposits was \$839,156 and the bank balance was \$2,762,723. Of the bank balance, \$100,000 was covered by federal depository insurance and \$2,662,723 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).

	<b>Category 3</b>	<b>Carrying Value</b>	<b>Market Value</b>
Repurchase Agreements	\$1,778,734	\$1,778,734	\$1,778,734
Star Ohio (*)		<u>\$223,667</u>	<u>\$223,667</u>
<b>Total Investments</b>	<u>\$1,778,734</u>	<u>\$2,002,401</u>	<u>\$2,002,401</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 FINANCIAL STATEMENTS  
JUNE 30, 2004  
(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 2001 and 2002 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 2003 was \$42.06 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$31.55 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$33.57 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 2003 was \$42.06 per \$1000 of assessed valuation.

	<b>Columbiana County</b>	<b>Mahoning County</b>
Real Property-2003 Valuation		
Commercial/Industrial	\$ 3,357,840	\$ 767,060
Residential/Agricultural	43,192,730	2,808,920
Gas/Oil/Minerals	18,820	0
Tangible Personal Property - 2004 Valuation		
General	1,921,890	337,930
Public Utilities	<u>4,652,560</u>	<u>244,650</u>
Total Valuation	<u>\$53,143,840</u>	<u>\$4,158,560</u>

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 FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**4. DEBT**

Debt outstanding at June 30, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$1,425,000	5.36%

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 debt obligations during 2001. These debt instruments were in the form of: (1) 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, 2004, including interest payments of \$847,395 are presented below.

<u>Year ending June 30:</u>	<u>General Obligation Bonds</u>
2005	128,393
2006	125,893
2007	128,214
2008	125,354
2009	127,305
Subsequent	<u>1,637,236</u>
<b>TOTAL</b>	<u><b>2,272,395</b></u>

**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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS**

***A. School Employees Retirement System***

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$176,283, \$168,360 and \$166,394 respectively; 44.80 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

***B. State Teachers Retirement System***

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 may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB 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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**6. DEFINED BENEFIT PENSION PLANS – (Continued)**

Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$670,851, \$641,901, and \$565,321 respectively; 77.09 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. The School District had no contributions to either the DC plan or Combined Plan for fiscal 2004.

**7. POSTEMPLOYMENT BENEFITS**

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System, (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$27,952 for fiscal year 2004.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**7. POSTEMPLOYMENT BENEFITS – (Continued)**

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004 the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$368,739,000 and STRS had 111,853 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. 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 2004, the minimum pay has been established as \$25,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$47,325.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004 were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

**8. 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.

**9. STATE SCHOOL FUNDING DECISION**

On December 11, 2003 the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient..."

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004  
(Continued)**

**10. CONTINGENCIES**

The School District is a defendant in several lawsuits, the outcome of which cannot presently be determined. It is the opinion of the District's management that any judgment against the School District resulting from these lawsuits would not have a material adverse effect on the School District's financial position.

Under the terms of Federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The School District's management believes disallowances, if any, will be immaterial.

**11. SET-ASIDE CALCULATION AND FUND RESERVES**

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 the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	<u>Textbooks</u>	<u>Capital Improvement</u>
Set-aside cash balance as of June 30, 2003	(\$234,607)	\$0
Current year set-aside requirement	118,289	118,289
Current year offsets	-	-
Qualifying Disbursements	<u>(249,604)</u>	<u>(2,038,234)</u>
Total	<u>(365,922)</u>	<u>(1,919,945)</u>
Set-Aside Balance Carried Forward to Future Year	<u>(365,922)</u>	

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years, although the School 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 fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years. There is no reserve balance for the set-asides at the end of the fiscal year.

**12. LEGAL COMPLIANCE**

The District failed to properly certify expenditure as required by ORC Section 5705.41 (D).

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

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

To the Board of Education:

We have audited the accompanying financial statements of Leetonia Exempted Village School District (the District) as of and for the year ended June 30, 2004, and have issued our report thereon dated March 15, 2005, which noted the 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 the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect 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 that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 and 2004-002. We also noted certain instances of noncompliance that we have reported to management of the District in a separate letter dated March 15, 2005.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that did not require inclusion in this report, that we have reported to the District's management in a separate letter dated March 15, 2005.

Leetonia Exempted Village School District  
Columbiana County  
Report of Independent Accountants on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

March 15, 2005



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF FINDINGS**

<b>FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**Finding # 2004-001**

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-02-03 further clarifies the requirements of Ohio Revised Code Section 117.38.

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. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies, for its failure to file the required financial report.

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

**Finding #2004-002**

Ohio Revised Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the District may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.

Amounts of less than three thousand dollars (one thousand dollars prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful.

- B. Blanket Certificate** – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF FINDINGS  
(Continued)**

- C. Super Blanket Certificates** – The District may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certificate of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Our test of disbursements indicated that 42% of expenditures tested in fiscal year 2004 were committed prior to the certification of available funds by the Treasurer. None of the exceptions listed above were followed. This condition does not provide adequate accountability over the District's disbursements. Disbursements may be incurred which either the Board or management has not authorized or which the District cannot afford. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the District's funds exceeding budgetary spending limitations, we recommend that the Treasurer certify that the funds are or will be available prior to obligation by the District. When prior certification is not possible, "then and now" certification should be used.

We recommend the District certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the District incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
JUNE 30, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	
2003-001	Ohio Administrative Code Section 117-2-03, failure to Report on a GAAP Basis	This finding was re-issued as finding #2004-001.
2003-002	The School District lacked controls over its student activities.	This finding was re-issued as part of the management letter.





**Auditor of State  
Betty Montgomery**

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800-282-0370  
Facsimile 614-466-4490

**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  
MAY 5, 2005**