



Dave Yost • Auditor of State



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

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# Dave Yost • Auditor of State

## 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, Columbiana County, (the District) as of and for the year ended June 30, 2011. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 District to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, because of the departure from generally accepted accounting principles described in the preceding paragraph, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of the Leetonia Exempted Village School District as of and for the year ended June 30, 2011 in accordance with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2011, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

We conducted our audit to opine on the District's financial statements taken as a whole. The Federal Awards Receipts and Expenditures Schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The Federal Awards Receipts and Expenditures Schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For reasons stated in the third paragraph, the basic financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2011, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Receipts and Expenditures Schedule.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

September 22, 2011

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Private Purpose Trust	
<b>Cash Receipts:</b>						
Receipts from Local Sources:						
Taxes	\$ 1,511,719	\$ 23,619	\$ 173,715	\$ 274,316	\$ -	\$ 1,983,369
Tuition	362,149					362,149
Gifts and Contributions					25,660	25,660
Earnings on Investment	3,404			249	2,165	5,818
Extracurricular Activities	2,568	50,041				52,609
Miscellaneous Receipts	29,885	61,109				90,994
Intergovernmental	4,537,346	807,791	29,254	59,355		5,433,746
	6,447,071	942,560	202,969	333,920	27,825	7,954,345
<b>Cash Disbursements:</b>						
Current:						
Instruction:						
Regular	2,982,221	411,975		50,956		3,445,152
Special	707,438	330,013				1,037,451
Vocational Education	76,576					76,576
Other	309					309
Support Services:						
Pupils	487,359	3,676			14,625	505,660
Instructional Staff	162,335	46,655		5,364		214,354
Board of Education	28,308					28,308
School Administration	688,272	41,488		119		729,879
Fiscal	137,252	509	3,773	5,968		147,502
Operational and Maintenance	659,961	21,310		7,714		688,985
Pupil Transportation	310,922			1,615		312,537
Central	23,775					23,775
Operation of Non-Instructional Services:						
Other Operation of Non-Instructional Services	49,699					49,699
Extracurricular Activities:						
Sports Oriented	104,582	131,438				236,020
Facilities Acquisition and Construction Services:						
Capital Lease				125,000		125,000
Other Facilities Acquisition and Improvement				600		600
Debt Service:						
Principal Payments			135,000			135,000
Interest Payments			97,907			97,907
	6,419,009	987,064	236,680	197,336	14,625	7,854,714
Excess of Cash Receipts Over/(Under) Cash Disbursements	28,062	(44,504)	(33,711)	136,584	13,200	99,631
<b>Other Financing Sources (Uses):</b>						
Refund of Prior Year Expenditures	41,615			92,500		134,115
Transfers-In		39,112				39,112
Refund of Prior Year Receipt				(1,200)		(1,200)
Transfers-Out	(34,000)	(5,112)				(39,112)
	7,615	34,000	-	91,300	-	132,915
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	35,677	(10,504)	(33,711)	227,884	13,200	232,546
Fund Cash Balances, July 1, 2010 as restated (See note 13)	227,174	122,494	32,517	421,052	119,060	922,297
<b>Fund Cash Balances, June 30, 2011</b>	<b>\$ 262,851</b>	<b>\$ 111,990</b>	<b>\$ (1,194)</b>	<b>\$ 648,936</b>	<b>\$ 132,260</b>	<b>\$ 1,154,843</b>
Reserve for Encumbrances, June 30, 2011	\$ 6,184	\$ 3,508	\$ -	\$ 15,170	\$ 35	\$ 24,897

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, 2011**

	<u>Proprietary Fund Types</u>		<u>Fiduciary Fund Types</u>	<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>				
Food Services	\$ 119,820			\$ 119,820
Tuition and Fees				0
Interest				0
Contributions and Donations				0
Extracurricular Activities				0
Miscellaneous		\$ 500	56,721	57,221
<b>Total Operating Cash Receipts</b>	<u>119,820</u>	<u>500</u>	<u>56,721</u>	<u>177,041</u>
<b>Operating Cash Disbursements:</b>				
Personal Services-Salaries	72,726			72,726
Employees' Retirement and Insurance	36,056			36,056
Other		450		450
Purchased Services	164,404			164,404
Supplies and Materials	15,518			15,518
Capital Outlay	1,652			1,652
Operation and Maintenance of Plant				0
Extracurricular Activities			56,428	56,428
Support Services:				
Pupils				-
<b>Total Operating Cash Disbursements</b>	<u>290,356</u>	<u>450</u>	<u>56,428</u>	<u>347,234</u>
Excess of Operating Cash Receipts Over / (Under)				
Operating Cash Disbursements	<u>(170,536)</u>	<u>50</u>	<u>293</u>	<u>(170,193)</u>
<b>Non-Operating Cash Receipts/(Disbursements):</b>				
Interest	22			22
Federal & State Sources:				
Unrestricted Grants-In-Aid	<u>174,435</u>			<u>174,435</u>
<b>Total Non-Operating Cash Receipts</b>	<u>174,457</u>	<u>-</u>	<u>-</u>	<u>174,457</u>
Net Receipts Over/(Under) Disbursements	3,921	50	293	4,264
Fund Cash Balances, July 1, 2010 as restated (See note 13)	<u>184,643</u>	<u>430</u>	<u>15,842</u>	<u>200,915</u>
<b>Fund Cash Balances, June 30, 2011</b>	<u><b>\$ 188,564</b></u>	<u><b>\$ 480</b></u>	<u><b>\$ 16,135</b></u>	<u><b>\$ 205,179</b></u>
Reserve for Encumbrances, June 30, 2011	<u>\$ 340</u>	<u>\$ -</u>	<u>\$ 887</u>	<u>\$ 1,227</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, 2011**

<b>Fund Types/Funds</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Governmental Fund Types:</b>			
General Fund	\$6,488,625	\$6,488,686	\$61
Special Revenue Funds	1,034,157	981,672	(52,485)
Debt Service Funds	202,971	202,969	(2)
Capital Projects Funds	425,225	426,420	1,195
<b>Proprietary Fund Type:</b>			
Enterprise Funds	294,631	294,277	(354)
Internal Service Funds	500	500	0
<b>Fiduciary Fund Type:</b>			
Trust and Agency Funds	83,721	84,546	825
<b>Total (Memorandum Only)</b>	<b><u>\$8,529,830</u></b>	<b><u>\$8,479,070</u></b>	<b><u>(\$50,760)</u></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, 2011

	<u>Prior Year Carryover Appropriations</u>	<u>2011 Appropriations</u>	<u>Total</u>	<u>Actual 2011 Disbursements</u>	<u>Outstanding Encumbrances at 6/30/11</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Fund Types/Funds</b>							
<b>Governmental Fund Types:</b>							
General Fund	\$120	\$6,480,558	\$6,480,678	\$6,453,009	\$6,184	\$6,459,193	\$21,485
Special Revenue Funds	3,884	1,009,131	1,013,015	992,176	3,508	995,684	17,331
Debt Service Funds		236,682	236,682	236,680		236,680	2
Capital Projects Funds	1,501	209,013	210,514	198,536	15,170	213,706	(3,192)
<b>Proprietary Fund Type:</b>							
Enterprise Funds		290,570	290,570	290,356	340	290,696	(126)
Internal Service Funds		450	450	450		450	0
<b>Fiduciary Fund Type:</b>							
Trust and Agency Funds	850	73,313	74,163	71,053	922	71,975	2,188
<b>Total (Memorandum Only)</b>	<u>\$6,355</u>	<u>\$8,299,717</u>	<u>\$8,306,072</u>	<u>\$8,242,260</u>	<u>\$26,124</u>	<u>\$8,268,384</u>	<u>\$37,688</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, 2011**

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**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, 2010 was 740. The School District employed 55 certificated employees and 30 non-certificated employees for 2011.

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).

By virtue of Ohio law, the District is required to maintain the encumbrance method of accounting and to make appropriations.

**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, 2011**

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**2. Special Revenue Funds**

Special revenue funds are used to account for proceeds of specific revenue sources (other than permanent funds, 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 purposes.

**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. Fiduciary 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 Private Purpose Trust and Agency Funds.

**E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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All funds, other than agency funds, are legally required to be budgeted and appropriated.

Advances in and Advances out are not required to be budgeted since they represent a temporary cash flow resource and are intended to be repaid.

**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, 2010 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, 2011**

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**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;
4. Bonds and other obligations of the State of Ohio;

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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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.

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

**Petty Cash**

At year end, the School District had \$3,100 in undeposited cash on hand which is included as part of the District's Financial Statements.

**Deposits**

At June 30<sup>th</sup>, 2011, the carrying amount of the School District's deposits was \$(56,825) respectively and the bank balance \$202,817, respectively. Of the bank balance, \$202,817 was covered by federal depository insurance.

**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).

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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		<b>June 30, 2011</b>	
	<b>Category 3</b>	<b>Carrying Value</b>	<b>Market Value</b>
Repurchase Agreements	1,156,030	1,156,030	1,156,030
Star Ohio (*)	_____	257,717	257,717
Total Investments	\$1,156,030	\$1,413,747	\$1,413,747

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

**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.

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 the first Friday in March; if paid semiannually, the first payment is due the first Friday in March with the remainder payable by the last Friday in August. 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 2010 for fiscal year 2011 was \$33.31 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$33.19 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$33.22 per \$1,000 of assessed valuation for all other real property for 2010. 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.

Tangible personal property tax revenue received during calendar year 2011 (other than public utility property) represents the collection of 2011 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2011 were levied after October 1, 2010 on the value as of December 31, 2010. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2011**

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	2011
Real Property:	
Commercial/Industrial	\$6,299,220
Residential/Agricultural	58,555,380
Public Utility Personal	5,230,900
Telephone Personal	103,523
Total Valuation	\$70,189,023

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.

**4. DEBT**

Debt outstanding at June 30, 2011 was as follows:

	Principal Outstanding 7/1/2010	Additions	Reductions	Principal Outstanding 6/30/2011	Amount Due in One Year
<b>Governmental Activities</b>					
2007 General Obligation Bonds	1,060,000	0	(75,000)	985,000	85,000
2007 Library Construction Obligation Bonds	1,240,000	0	(60,000)	1,180,000	55,000
Total Long-Term Liabilities	\$2,300,000	\$0	(\$135,000)	\$2,165,000	\$140,000

Outstanding general obligation bonds consist of school improvement issues and various purpose bonds. 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.

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 district issued bonds in the amount of \$1,420,000 as fiscal agent for the construction of the Leetonia Community Public Library. The bonds will be paid from property tax money and will mature in 2031. See Note 12 for more detail.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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The annual requirements to amortize all outstanding bonded debt as of June 30, 2011, including interest payments are presented below.

<u>General</u> <u>Obligation Bonds:</u>	<u>General</u> <u>Library Bonds:</u>
126,469	106,281
123,281	109,125
125,000	106,875
116,719	104,625
118,438	102,375
607,750	494,250
117,875	391,875
	323,125
	56,375
<u><u>\$1,335,532</u></u>	<u><u>\$1,794,906</u></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.

**6. PENSION PLANS**

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

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability, and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by 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 can be obtained by contacting the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website, [www.ohsers.org](http://www.ohsers.org), under Forms and Publications.

Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. 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 Retirement Board acting with the advice of an actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund, and Health Care Fund) of the System. For fiscal year

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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ending June 30, 2011, the allocation to the pension and death benefits was 11.81 percent. The remaining 2.19 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare Part B Funds. The District has paid all contributions required through June 30, 2011.

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

The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency wholly controlled, managed and supported in whole, or in part, by the State or any political subdivision thereof.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. In a DC Plan, members contribute 10% of their annual salary to the defined contribution account. An amount equal to 10.5% of the member's salary is deposited to the member's account from employer contributions. The Combined Plan offers features of the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund a defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. 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.

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “salary-related benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2 percent. Contributing service credit over 30 years continues to be calculated at the escalating formula noted above. A member with 35 years of contributing service credit will receive 88.5% of the final average salary. Under the “money-purchase benefit” calculation, a member's lifetime contributions plus interest are matched by employer funds to provide an annuity reserve. This total is then divided by an annuity value, which factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions at a rate of 10% and employer contributions at a rate of 10.5 percent are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are

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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.

Combined Plan Benefits – Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with 5 years of service. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

Eligible faculty of Ohio's public colleges and universities may choose to enroll in either STRS Ohio or an alternative retirement plan (ARP) offered by their employer. Employees have 120 days from their employment date to select a retirement plan.

A retiree of STRS Ohio or other Ohio public retirement system is eligible for reemployment as a teacher following a two month waiting period from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants through 2012.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of Medicare Part B premium costs. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit 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 members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. 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.

The contributions actually made for the fiscal year ended June 30, 2011, were 10% of covered payroll for members and 14% for employers. The board agreed to pick-up 2% of the employees contributions for fiscal year 2011. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2011, was 14 percent. The District has paid all contributions required through June 30, 2011.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2011 *Comprehensive Annual Financial Report* are available by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at [www.strsoh.org](http://www.strsoh.org).

## **7. POSTEMPLOYMENT BENEFITS**

### School Employees Retirement System

The Ohio Revised Code gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees with ten or more years of qualifying service credit, disability and survivor benefit recipients. Effective January 1, 2004, all retirees and beneficiaries are required to pay a portion of their health care premium. The portion is based on years of service, Medicare eligibility and retirement status.

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, 2009 (the latest information available), employer contributions to fund health care benefits were 0.46 percent of covered payroll. In addition, SERS has an additional surcharge on employers that is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the minimum pay determined by an actuary was \$35,800. The District has made all the required contributions (including surcharge) for the fiscal year ended June 30, 2011.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District has made the required contributions for Medicare Part B for the year ending June 30, 2011.

### State Teachers Retirement System

STRS Ohio provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician fees, prescription drugs, and partial reimbursement of Medicare Part B premium costs. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board (the board) has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

The R.C. grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouses and dependents. By Ohio law, health care benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal year ended June 30, 2009 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$4.1 billion on June 30, 2009.

For the fiscal year ended June 30, 2010, the post-employment health care balance was \$2.8 billion at STRS Ohio. There were 133,103 eligible benefit recipients.

## **8. HEALTH INSURANCE**

The District provides major medical, hospitalization, vision, prescription drug, and life insurance benefits to its employees through a third party administrator. The District participates in a health care consortium.

The District is a participant in the Portage Area Schools Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 19 member school districts. The plan was organized to provide health care and other benefits to its member organizations. Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in common fund from which claim payments and claims are made for all participating districts, regardless of cash flow.

## **9. CONTINGENCIES**

### **A. Grants**

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds.

### **B. Litigation**

The School District was not a party to any legal proceedings during the 2011 fiscal year.

## **10. 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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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	June 30, 2011	
	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside cash balance as of June 30, 2011	\$62,905	\$0
Current year set-aside requirement	168,011	173,185
Current year offsets	<u>(112,290)</u>	<u>(125,000)</u>
Qualifying Disbursements	<u>\$118,626</u>	<u>\$48,185</u>
Total	<u>\$118,626</u>	<u>\$48,185</u>

The district had qualifying disbursements during the year that reduced the set-aside amounts for both textbooks and capital improvement. There was not enough to reduce the balance of the textbooks or capital improvement set-asides to zero. These amounts will be carried forward into fiscal year 2012.

**11. ACCOUNTABILITY AND COMPLIANCE**

Legal Compliance

The District failed to properly prepare their financial statements in accordance with generally accepted accounting principles as required by ORC Section 117.38 and OAC Section 117-02-03 (B).

**12. RELATED ORGANIZATION**

*Leetonia Community Public Library* The Leetonia Community Public Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Leetonia Board of Education. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purposes are discretionary decisions made solely by the Board of Trustees.

In 2007, the Leetonia Exempted Village School District issued general obligation bonds, in the amount of \$1,420,000, for construction of a new library. The bonds will be paid with property tax money and will mature in 2031. The School District does not hold title to the land and building of the Library. Financial information can be obtained from the Leetonia Community Public Library, Lisa Rohrbaugh Director/Clerk-Treasurer, 24 Walnut Street, Leetonia, Ohio 44431.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
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**13. RESTATEMENT OF FUND BALANCES**

The prior year report accounted for the activity of the private purpose trust fund within the agency fund. The restatement had the following effect on net assets at June 30, 2010.

	<u>Private Purpose Trust</u>	<u>Agency</u>
Fund Balance, June 30, 2010	\$100,721	\$34,181
Private purpose fund activity	<u>18,339</u>	<u>(18,339)</u>
Restated Fund Balance, June 30, 2010	<u>\$119,060</u>	<u>\$15,842</u>



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2011**

<b>FEDERAL GRANTOR Pass Through Grantor Program Title</b>	<b>Pass Through Entity Number</b>	<b>Federal CFDA Number</b>	<b>Receipts</b>	<b>Disbursements</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	N/A	10.555	104,302	102,533
Cash Assistance:				
School Breakfast Program		10.553	36,888	36,888
National School Lunch Program		10.555	132,903	132,903
Total Child Nutrition Cluster			<u>274,093</u>	<u>272,324</u>
Team Nutrition Mini Grant		10.574	-	483
Total U.S. Department of Agriculture			<u>274,093</u>	<u>272,807</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	C1-S1 2010	84.010	41,105	43,632
Title I Grants to Local Educational Agencies	C1-S1 2011	84.010	149,377	137,236
Title I Part A Stimulus	ARRA - 2010	84.389	11,352	12,874
Total Title I Grants to Local Agencies			<u>201,834</u>	<u>193,742</u>
IDEA, Part B Grant	6B-SF-2010	84.027	14,192	14,767
IDEA, Part B Grant	6B-SF-2011	84.027	124,926	137,185
IDEA, Part B Grant	ARRA - 2010	84.391	-	10,423
IDEA, Part B Stimulus	ARRA - 2011	84.391	20,225	20,225
Total IDEA, Part B Grant			<u>159,343</u>	<u>182,600</u>
State Fiscal Stabilization Fund (SFSF)	ARRA-2010	84.394	25,434	25,434
State Fiscal Stabilization Fund (SFSF)	ARRA-2011	84.394	334,113	334,113
Total State Fiscal Stabilization Fund (SFSF)			<u>359,547</u>	<u>359,547</u>
Title II-A Grant (Improving Teacher Quality)	TR-S1-2010	84.367	5,134	6,323
Title II-A Grant (Improving Teacher Quality)	TR-S1-2011	84.367	39,036	38,226
Total Title II-A Grant (Improving Teacher Quality)			<u>44,170</u>	<u>44,549</u>
Title II-D Grant (Educational Technology)	IDL-2010	84.318	1,617	1,617
Title II-D Grant (Educational Technology)	IDVL-2011	84.318	124	573
Total Title II-D Grant (Educational Technology)			<u>1,741</u>	<u>2,190</u>
Drug Free School	2010	84.186	1,651	1,926
Race To The Top 2011	2011	84.395	-	5,576
<b>Total Department of Education</b>			<b>768,286</b>	<b>790,130</b>
<b>Total Federal Receipts/Expenditures</b>			<b><u>1,042,379</u></b>	<b><u>1,062,937</u></b>

*The accompanying notes are an integral part of this schedule.*

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2011**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the Leetonia Exempted Village School District's (the District's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - CHILD NUTRITION CLUSTER**

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

**NOTE C – FOOD DONATION PROGRAM**

The District reports commodities consumed on the Schedule at the entitlement value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS 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 financial statements of Leetonia Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2011, and have issued our report thereon dated September 22, 2011, wherein we issued an adverse opinion on the District's financial statements because the District prepared its financial statements using accounting practices the Auditor of State prescribes or permits for governments not required to report using accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 22, 2011.

The District's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the District's response and, accordingly, we express no opinion on it.

We intend this report solely for the information and use of management, Board of Education, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.



**Dave Yost**  
Auditor of State

September 22, 2011



# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the Board of Education:

### Compliance

We have audited the compliance of Leetonia Exempted Village School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Leetonia Exempted Village School District's major federal programs for the year ended June 30, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Leetonia Exempted Village School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

### Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of management, Board of Education, others within the entity, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



**Dave Yost**  
Auditor of State

September 22, 2011

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	<b>Adverse</b>
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	<b>No</b>
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	<b>Yes</b>
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	<b>No</b>
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	<b>Unqualified</b>
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	<b>No</b>
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA #84.010 & 84.389 Title 1, Part A Cluster CFDA #84.394 State Fiscal Stabilization Fund
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	<b>No</b>

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2011-01**

**Material Noncompliance:**

**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 117-2-03 further clarifies the requirement of Ohio Revised Code Section 117.38.

**FINDING NUMBER 2011-01  
(Continued)**

**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 (GAAP).

The 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 are material, however cannot be determined at this time. The District can be fined and various other administrative remedies may be taken against the District.

We recommend the School District prepare its annual financial report in accordance with GAAP.

**Official's Response:** The Leetonia EVSD prepares its financial statements on a basis of accounting in accordance with standards established by the Auditor of State for government entities. The Leetonia EVSD has, as have all public K-12 school districts in the state, based its day-to-day accounting on these standards for many years. All financial information on a daily, weekly, monthly, and yearly basis use these standards. However, the district does not, at the end of the fiscal year, restate its yearly finances in accordance with generally accepted accounting principles (GAAP). These principals require not only the restating of existing information, but the introduction of additional information that has little value to the district.

The auditor's opinion that the 2011 financial information presented in the audit does not fairly represent the financial position of the district simply means it does not represent it in the GAAP format. The lack of GAAP statements has had no impact on the district's dealing with bond underwriters, banks, or vendors. The district has, therefore, decided it is in the best interest of the district's tax payers not to spend scarce resources of time and money on the, argumentatively, useless year end conversion of its financial statements to a GAAP format.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
------------------------------------------------------------

NONE



**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT  
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A -133 § .315 (b)  
JUNE 30, 2011**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i><b>Explain</b></i>
2010-001	Ohio Revised Code Section 117.38 and Ohio Administrative Code 117-2-03, the District failed to prepare its financial statements in accordance with generally accepted accounting principles	This finding was re-issued as 2011-001.	Not Corrected.

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURE

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 17, 2010 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

This report is intended solely for the information and use of the Board 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 "Dave Yost".

**Dave Yost**  
Auditor of State

September 22, 2011

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# Dave Yost • Auditor of State

**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  
DECEMBER 6, 2011**