



Dave Yost • Auditor of State

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of Leetonia Exempted Village School District, Columbiana County, Ohio (the District), as of and for the year ended June 30, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse audit opinion.

Basis for Adverse Opinion

As described in Note 1 of the financial statements, the District prepared these financial statements using the cash accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. However, Ohio Administrative Code Section 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the 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, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The District also 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.

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Award Receipts and Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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
Columbus, Ohio

December 11, 2014

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**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, 2014**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Private-Purpose Trust	
Cash Receipts:						
Receipts from Local Sources:						
Taxes	\$ 1,570,465	\$ 24,552	\$ 284,788	\$ 228,411		\$ 2,108,216
Tuition and Fees	767,990					767,990
Gifts and contributions	50	31			\$ 10,375	10,456
Earnings on Investment	635				55	690
Extracurricular Activities	13,551	106,108				119,659
Payments in Lieu of Taxes	12,815					12,815
Miscellaneous Receipts	25,029	1,200		4,025		30,254
Intergovernmental	5,255,558	468,343	47,920	41,666		5,813,487
Total Cash Receipts	7,646,093	600,234	332,708	274,102	10,430	8,863,567
EXPENDITURES:						
Current:						
Instruction:						
Regular	3,278,530	51,671		132,965		3,463,166
Special	1,160,158	202,207				1,362,365
Vocational	90,401					90,401
Student Intervention Services	958					958
Support Services:						
Pupils	548,260	151,532			26,431	726,223
Instructional Staff	29,489	27,933				57,422
Board of Education	22,055					22,055
School Administration	428,449					428,449
Fiscal	208,680	592	6,932	5,547		221,751
Operation and Maintenance	600,287	31,458		13,821		645,566
Pupil Transportation	320,351					320,351
Central	145,529					145,529
Operation of Non-Instructional/Shared Services:						
Other Operaton of Non-Instructional Services	29,517					29,517
Extracurricular Activities:						
Academic and Subject Oriented Activities	3,528	4,006				7,534
Sport Oriented Activities	95,344	91,288				186,632
Co-Curricular Activities	10,496	20,954				31,450
Capital Outlay:						
Building Acquisition and Construction Services				134,358		134,358
Debt Service:						
Principal			150,000			150,000
Interest			81,875			81,875
Total Cash Disbursements	6,972,032	581,641	238,807	286,691	26,431	8,105,602
Excess of Cash Receipts Over (Under) Cash Disbursements	674,061	18,593	93,901	(12,589)	(16,001)	757,965
Other Financing Sources (Uses):						
Transfers-In		10,112				10,112
Advances-In	41,852	4,434				46,286
Refund of Prior Year Expenditures	45,736	2,296		891		48,923
Transfers-Out	(10,112)					(10,112)
Advances-Out	(4,434)	(65)	(41,038)			(45,537)
Total Other Financing Sources and (Uses)	73,042	16,777	(41,038)	891	-	49,672
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	747,103	35,370	52,863	(11,698)	(16,001)	807,637
Fund Cash Balances, July 1, 2013	987,770	106,904	140,409	329,245	110,536	1,674,864
Fund Cash Balances, June 30, 2014	\$ 1,734,873	\$ 142,274	\$ 193,272	\$ 317,547	\$ 94,535	\$ 2,482,501
Reserve for Encumbrances, June 30, 2014	\$ 2,450	\$ 3,469	\$ -	\$ -	\$ -	\$ 5,919

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, 2014**

	<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>	
Operating Cash Receipts:				
Food Service	\$ 128,610			\$ 128,610
Miscellaneous			68,640	68,640
Total Operating Cash Receipts	<u>128,610</u>	<u>-</u>	<u>68,640</u>	<u>197,250</u>
Operating Cash Disbursements:				
Personal Services-Salaries	80,783			80,783
Employees' Retirement and Insurance	39,785			39,785
Other				-
Purchased Services	207,825			207,825
Supplies and Materials	26,718			26,718
Capital Outlay	20,044			20,044
Extracurricular Activities			64,691	64,691
Total Operating Cash Disbursements	<u>375,155</u>	<u>-</u>	<u>64,691</u>	<u>439,846</u>
Excess of Operating Cash Receipts Over/(Under) Operating Cash Disbursements	<u>(246,545)</u>	<u>-</u>	<u>3,949</u>	<u>(242,596)</u>
Non-Operating Cash Receipts/(Disbursements):				
Interest	8			8
Federal & State Sources:	203,866			203,866
Unrestricted Grants-In-Aid	2,674			2,674
Total Non-Operating Cash Receipts	<u>206,548</u>	<u>-</u>	<u>-</u>	<u>206,548</u>
Income (Loss) before Advances	<u>(39,997)</u>	<u>-</u>	<u>3,949</u>	<u>(36,048)</u>
Advances-Out			(749)	(749)
Net Change in Fund Balance	(39,997)	-	3,200	(36,797)
Fund Cash Balances, July 1, 2013	<u>162,305</u>	<u>1,401</u>	<u>12,350</u>	<u>176,056</u>
Fund Cash Balances, June 30, 2014	<u>\$ 122,308</u>	<u>\$ 1,401</u>	<u>\$ 15,550</u>	<u>\$ 139,259</u>
Reserve for Encumbrances, June 30, 2014	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2014**

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, 2013 was 759. The School District employed 50 certificated employees and 30 non-certificated employees for 2014.

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 School 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 Ohio 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

This Fund is the general operating fund for the School District and is used to account for all financial resources except those required by law or contract that are to be accounted for in another fund.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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 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 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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. 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, 2013 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30.

The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

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

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

A summary of 2014 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Total Columns on Financial Statements

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

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave 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 deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at June 30 was as follows:

	<u>June 30, 2014</u>
Demand Deposits	\$345,004
Petty Cash on Hand	3,100
Total Deposits	348,104
STAR Ohio	26,273
Repurchase Agreement	2,247,383
Total Investments	2,273,656
Total deposits and investments	\$2,621,760

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or by securities specifically pledged by the financial institution to the School District.

Investments: The School District's financial institution transfers securities to the School District's agent to collateralize repurchase agreements. The securities are not in the School District's name.

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2014 follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 7,645,812	\$ 7,733,681	\$ 87,869
Special Revenue	688,983	617,076	(71,907)
Debt Service	325,124	332,708	7,584
Capital Projects	265,506	274,993	9,487
Enterprise	320,000	335,158	15,158
Internal Service	-	-	-
Private Purpose Trust	15,000	10,430	(4,570)
Agency	66,500	68,640	2,140
Total	<u>\$ 9,326,925</u>	<u>\$ 9,372,686</u>	<u>\$ 45,761</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Budgetary Expenditures	Variance
General	\$ 6,992,895	\$ 6,989,028	\$ (3,867)
Special Revenue	587,004	585,175	(1,829)
Debt Service	279,845	279,845	-
Capital Projects	286,691	286,691	-
Enterprise	375,155	375,155	-
Internal Service	-	-	-
Private Purpose Trust	26,431	26,431	-
Agency	65,440	65,440	-
Total	<u>\$ 8,613,461</u>	<u>\$ 8,607,765</u>	<u>\$ (5,696)</u>

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The county auditor reappraises all real property every six years and property values are updated in the third year following each sexennial reappraisal.

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

4. PROPERTY TAX (continued)

Columbiana County and Mahoning County tax rates are combined. The full tax rate applied to real property for the tax (calendar) year 2013 for fiscal year 2014 was \$33.91 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$33.79 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$33.82 per \$1,000 of assessed valuation for all other real property for 2013. 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.

	2014
Real Property:	
Residential/Agricultural	\$59,075,920
Commercial/Industrial	5,961,010
Public Utility Personal	6,415,520
Total Valuation	\$71,452,450

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

5. DEBT

Debt outstanding at June 30, 2014 was as follows:

	Principal Outstanding 7/1/2013	Additions	Reductions	Principal Outstanding 6/30/2014	Amount Due in One Year
Governmental Activities					
2007 General Obligation Bonds	\$ 815,000	\$ -	\$ (90,000)	\$ 725,000	\$ 85,000
2007 Library Construction Obligation Bonds	1,065,000	0	(60,000)	1,005,000	60,000
Total Long-Term Liabilities	\$1,880,000	\$0	(\$150,000)	\$1,730,000	\$145,000

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 general obligation bonds for school improvement including the construction of a new school building which will house all the School District's students.

The School District issued bonds in the amount of \$1,420,000 as taxing authority 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 13 for more detail.

The annual requirements to amortize all outstanding bonded debt as of June 30, 2014, including interest payments are presented below.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

5. DEBT (continued)

<u>Year ending</u> <u>June 30:</u>	<u>General</u> <u>Obligation Bonds:</u>	<u>General</u> <u>Library Bonds:</u>
2015	\$ 116,719	\$ 104,625
2016	118,438	102,375
2017	121,750	131,250
2018	124,250	94,875
2019	119,250	92,125
2020-2024	360,375	419,375
2025-2029		357,500
2030-2031		181,500
TOTAL	<u>\$ 960,782</u>	<u>\$ 1,483,625</u>

6. CAPITAL LEASE AGREEMENT

The Leetonia Exempted Village School District entered into a capital lease agreement with Farmers National Bank in 2004. This capital lease was for the construction of a football stadium on the school grounds.

The following is a schedule of the future long-term minimum lease payments, including interest, required under the capital lease of June 30, 2014:

<u>Year ending</u> <u>June 30:</u>	<u>Capital Lease</u> <u>Payments</u>
2015	\$ 125,000
2016	125,000
2017	125,000
2018	125,000
2019	125,000
2020-2024	625,000
2025	<u>113,669</u>
TOTAL	<u>\$ 1,363,669</u>

7. 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 100% coinsured.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

8. PENSION PLANS

A. School Employees Retirement System

The School 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; 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, under Forms and Publications.

Plan members are required to contribute 10 percent of their annual salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum accounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of an actuary, allocates the employer contribution rate among four of the System's funds (Pension Trust Fund, Death Benefit Fund, Medicare Part B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2014, the allocation to the pension and death benefits was 13.10 percent. The remaining .90 percent of the 14 percent employer contribution rate is allocated to the Health Care and Medicare Part B Funds. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$114,115, \$110,712 and \$112,829 respectively. For fiscal year 2014, 82.48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

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 can be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

Plan Options - New members have a choice of three retirement plans; Defined Benefit (DB) Plan, Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. The member makes all the investment decisions. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of 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 at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Ohio Revised Code Chapter 3307.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

8. PENSION PLANS (continued)

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

Funding Policy – Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon the recommendation of its consulting actuary, not to exceed statutory maximum rates of 11 percent for members and 14 percent for employers. The statutory maximum employee contribution rate will be increased one percent each year beginning July 1, 2013, until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2014, plan members were required to contribute 11 percent of their annual covered salary. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations.

The School District's required contribution to STRS Ohio for the DB Plan, the DC Plan, and the Combined Plan were \$360,501 for the fiscal year ended June 30, 2014, \$358,689 for the fiscal year ended June 30, 2013, and \$365,147 for the fiscal year ended June 30, 2012. For the Fiscal year 2014, 86.80 percent has been contributed for the DB plan, the DC Plan, and the Combined Plan, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

9. POSTEMPLOYMENT BENEFITS

School Employees Retirement System

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

Funding Policy – State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For fiscal year 2014, .16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for fiscal year 2014, this amount was \$20,250. During fiscal year 2014, the School District paid \$13,917 in surcharge.

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

9. POSTEMPLOYMENT BENEFITS (continued)

School Employees Retirement System (continued)

The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$14,919, \$13,765, and \$16,676, respectively. For fiscal year 2014, 82.48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For Fiscal year 2014, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013 and 2012, were \$5,439, \$5,184 and \$5,362, respectively. For Fiscal year 2014, 82.48 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012.

State Teachers Retirement System

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$25,750, \$25,621, and \$26,082, respectively. For fiscal year 2014, 86.80 percent has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for fiscal years 2013 and 2012. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

10. HEALTH INSURANCE

The School District provides major medical, hospitalization, vision, prescription drug, and life insurance benefits to its employees through a third party administrator. The School District participates in a health care consortium with other local school districts through the Portage Area Schools Consortium, a public entity shared risk pool, currently operating as a common risk management and insurance program for 25 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 School District pays a monthly contribution which is placed in a common fund from which claim payments and claims are made for all participating school districts, regardless of cash flow.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

11. SET-ASIDE CALCULATION AND FUND RESERVES

The School District is required by State statute to annually set aside in the general fund an equal amount for the capital improvements and maintenance. 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. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

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

	<u>Capital Improvements</u>
Set-aside cash balance as of June 30, 2013	\$ -
Current year set-aside requirement	130,050
Current year offsets	(125,000)
Qualifying Disbursements	<u>(53,064)</u>
Total	<u>\$ (48,014)</u>

12. ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

The School 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).

13. 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 School District for operational subsidies. Although the School 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.

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**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2014**

FEDERAL GRANTOR <i>Pass Through Grantor</i>	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
Program Title				
U.S. DEPARTMENT OF AGRICULTURE				
<i>Passed Through Ohio Department of Education</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):	N/A	10.555	\$23,965	\$23,965
School Breakfast Program	N/A	10.553	40,612	40,612
National School Lunch Program	N/A	10.555	158,889	158,889
Total Child Nutrition Cluster			<u>223,466</u>	<u>223,466</u>
Total U.S. Department of Agriculture			<u>223,466</u>	<u>223,466</u>
U.S. DEPARTMENT OF EDUCATION				
<i>Passed Through Ohio Department of Education</i>				
Title I Grants to Local Educational Agencies	572-9013	84.010	25,374	20,292
Title I Grants to Local Educational Agencies	572-9014	84.010	179,482	179,389
Total Title I Grants to Local Educational Agencies			<u>204,856</u>	<u>199,681</u>
Special Education - Grants to States (IDEA, Part B Grant)	516-9014	84.027	149,360	149,360
Total Special Education - Grants to States (IDEA, Part B Grant)			<u>149,360</u>	<u>149,360</u>
Improving Teacher Quality - State Grants	590-9013	84.367	6,529	5,855
Improving Teacher Quality - State Grants	590-9014	84.367	31,800	31,523
Total Improving Teacher Quality - State Grants			<u>38,329</u>	<u>37,378</u>
ARRA - Race to the Top Virtual Grant	506-9320	84.395	5,580	3,545
ARRA - Race to the Top	506-9013	84.395	9,883	8,365
ARRA - Race to the Top	506-9014	84.395	10,934	10,934
Total ARRA - Race to the Top Grant			<u>26,397</u>	<u>22,844</u>
Team Nutrition Grant - Farm to School	599-932R	10.574	5,000	5,000
Rural Education Grant	599-9014	84.358	13,117	13,067
Total Department of Education			<u>437,059</u>	<u>427,330</u>
Total			<u><u>\$660,525</u></u>	<u><u>\$650,796</u></u>

The accompanying notes are an integral part of this schedule.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FISCAL YEAR ENDED JUNE 30, 2014**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (the Schedule) reports the Leetonia Exempted Village School District's (the District's) federal award programs' receipts and expenditures. 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 AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Leetonia Exempted Village School District, Columbiana County, (the District) as of and for the year ended June 30, 2014, and the related notes to the financial statements, and have issued our report thereon dated December 11, 2014, wherein we issued an adverse opinion on the District's financial statements because the District followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit for governments not required to report using accounting principles generally accepted in the United States of America. The District is required by Ohio Administrative Code Section 117-2-03 to follow accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2014-001 described in the accompanying schedule of findings to be a material weakness.

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, opining 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2014-001.

Entity's Response to Findings

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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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:

Report on Compliance for Each Major Federal Program

We have audited the Leetonia Exempted Village School District's (the District) compliance with the applicable 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 the Leetonia Exempted Village School District's major federal programs for the year ended June 30, 2014. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for 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*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Leetonia Exempted Village School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

December 11, 2014

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2014**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Child Nutrition Cluster - CFDA #10.553 & 10.555 Title I – Grants to Local Educational Agencies – CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2014-001

Material Noncompliance and Material Weakness

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 2014-001
(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 while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the District can be fined and various other administrative remedies may be taken against the District.

Governments preparing regulatory statements are required to implement Governmental Accounting Standards Board (GASB) Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions – which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This Statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Additionally, AOS Bulletin 2011-004 requires local governments preparing regulatory statements to implement both the new fund balance classifications and the government fund type definitions, as stated in GASB No. 54.

The District should ensure GASB No. 54 is implemented and reflected on their financial statements if they continue to file regulatory statements. However, we recommend the School District prepare its annual financial report in accordance with GAAP and implement all applicable GASB statements.

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 2014 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.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-001	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 and implement Government Accounting Standards Board Statement No. 54	No	Not Corrected – repeated as finding 2014-001

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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
JANUARY 6, 2015**