



**LEETONIA EXEMPTED VILLAGE SCHOOL
DISTRICT
COLUMBIANA COUNTY**

**SINGLE AUDIT
FOR THE YEAR ENDED JUNE 30, 2009**



Dave Yost • Auditor of State

Board of Education
Leetonia Exempted Village School District
450 Walnut Street
Leetonia, Ohio 44431

We have reviewed the *Independent Accountants' Report* of the Leetonia Exempted Village School District, Columbiana County, prepared by Canter & Associates, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 14, 2011

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Leetonia Exempted Village School District
Columbiana County

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of Leetonia Exempted Village School District, (the District) as of and for the year ended June 30, 2009. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. 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(B), 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, 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, 2009 in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 9, unless the District is able to pass a levy soon they are projected to run into a fund deficit balance in 2010.

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 January 14, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide and opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

We conducted our audit to opine on the District's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the District's financial statements. 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, 2009, 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 Expenditure Schedule.



Canter & Associates

January 14, 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, 2009**

| | | | | | Fiduciary Fund Type | Totals (Memorandum Only) |
|--|-------------------|--------------------|------------------|---------------------|--------------------------|--------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Private Purpose Trust | |
| Cash Receipts: | | | | | | |
| Receipts from Local Sources: | | | | | | |
| Taxes | \$ 1,532,317 | \$ 24,906 | \$ 122,131 | \$ 245,755 | \$ - | \$ 1,925,109 |
| Tuition | 341,817 | | | | | 341,817 |
| Transportation Fees | 19,116 | | | | | 19,116 |
| Earnings on Investment | 36,443 | | | 4,790 | 1,659 | 42,892 |
| Extracurricular Activities | 1,465 | 147,789 | | | | 149,254 |
| Classroom Materials and Fees | 9,814 | | | | | 9,814 |
| Miscellaneous Receipts | 8,195 | 9,933 | | 100 | 14,480 | 32,708 |
| Revenue from Intermediate Sources: | | | | | | |
| Revenue in Lieu of Taxes | 20,977 | | | | | 20,977 |
| Receipts from State Sources: | | | | | | |
| Unrestricted Grants-In-Aid | 4,133,458 | 4,419 | 30,237 | 32,304 | | 4,200,418 |
| Restricted Grants-In-Aid | 587,315 | 63,060 | | | | 650,375 |
| Receipts from Federal Sources: | | | | | | |
| Restricted Grants-In-Aid | | 368,876 | | | | 368,876 |
| Total Cash Receipts | 6,690,917 | 618,983 | 152,368 | 282,949 | 16,139 | 7,761,356 |
| Cash Disbursements: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 3,585,311 | 67,583 | | 2,418 | | 3,655,312 |
| Special | 980,274 | 333,676 | | 779 | | 1,314,729 |
| Vocational Education | 7,178 | | | | | 7,178 |
| Other | 24,098 | 16,084 | | | | 40,182 |
| Support Services: | | | | | | |
| Pupils | 330,707 | 4,041 | | | | 334,748 |
| Instructional Staff | 29,567 | 4,163 | | 402 | | 34,132 |
| Board of Education | 21,599 | | | | | 21,599 |
| School Administration | 600,102 | 48,485 | | | | 648,587 |
| Fiscal | 151,920 | | | | | 151,920 |
| Operational and Maintenance | 636,689 | 50,254 | | 82,154 | | 769,097 |
| Pupil Transportation | 298,944 | | | | | 298,944 |
| Central | 25,510 | | | | | 25,510 |
| Operation of Non-Instructional Services: | | | | | | |
| Other Operation of Non-Instructional Services | 56,440 | | | | 15,775 | 72,215 |
| Extracurricular Activities: | | | | | | |
| Academic and Subject Oriented | | 2,741 | | | | 2,741 |
| Sports Oriented | 20 | 114,545 | | | | 114,565 |
| Co-Curricular Activities | 109,312 | 48,120 | | | | 157,432 |
| Facilities Acquisition and Construction Services: | | | | | | |
| Capital Lease | | | | 125,000 | | 125,000 |
| Other Facilities Acquisition and Improvement | | | | 8,748 | | 8,748 |
| Debt Service: | | | | | | |
| Principal Payments | | | 130,000 | | | 130,000 |
| Interest Payments | | | 108,230 | | | 108,230 |
| Total Cash Disbursements | 6,857,671 | 689,692 | 238,230 | 219,501 | 15,775 | 8,020,869 |
| Excess of Cash Receipts Over/(Under) Cash Disbursements | (166,754) | (70,709) | (85,862) | 63,448 | 364 | (259,513) |
| Other Financing Sources (Uses): | | | | | | |
| Sale and Loss of Asset | | | | 400 | | 400 |
| Transfers-In | | 45,600 | | 64,830 | | 110,430 |
| Transfers-Out | (45,600) | | (64,830) | | | (110,430) |
| Total Other Financing Sources (Uses) | (45,600) | 45,600 | (64,830) | 65,230 | 0 | 400 |
| Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses | (212,354) | (25,109) | (150,692) | 128,678 | 364 | (259,113) |
| Fund Cash Balances, July 1, 2008 SEE NOTE 13 | 625,358 | 89,414 | 217,999 | 379,821 | 100,357 | 1,412,949 |
| Fund Cash Balances, June 30, 2009 | \$ 413,004 | \$ 64,305 | \$ 67,307 | \$ 508,499 | \$ 100,721 | \$ 1,153,836 |
| Reserve for Encumbrances, June 30, 2009 | \$ 2,125 | \$ 3,256 | \$ - | \$ - | \$ - | \$ 5,381 |

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, 2009**

| | <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 Services | \$ 137,367 | | | \$ 137,367 |
| Extracurricular Activities | ----- | \$ 200 | \$ 58,599 | 58,799 |
| Total Operating Cash Receipts | <u>137,367</u> | <u>200</u> | <u>58,599</u> | <u>196,166</u> |
| Operating Cash Disbursements: | | | | |
| Personal Services-Salaries | 71,065 | | | 71,065 |
| Employees' Retirement and Insurance | 34,714 | | | 34,714 |
| Purchased Services | 154,781 | | | 154,781 |
| Supplies and Materials | 19,741 | | | 19,741 |
| Capital Outlay | 216 | | | 216 |
| Other Objects | ----- | 162 | 60,471 | 60,633 |
| Total Operating Cash Disbursements | <u>280,517</u> | <u>162</u> | <u>60,471</u> | <u>341,150</u> |
| Excess of Operating Cash Receipts Over / (Under) | | | | |
| Operating Cash Disbursements | <u>(143,150)</u> | <u>38</u> | <u>(1,872)</u> | <u>(144,984)</u> |
| Non-Operating Cash Receipts/(Disbursements): | | | | |
| State Sources: | | | | |
| Unrestricted Grants-In-Aid | 4,550 | | | 4,550 |
| Federal Sources: | | | | |
| Unrestricted Grants-In-Aid | <u>171,316</u> | ----- | ----- | 171,316 |
| Total Non-Operating Cash Receipts | <u>175,866</u> | <u>-</u> | <u>-</u> | <u>175,866</u> |
| Net Receipts Over/(Under) Disbursements | 32,716 | 38 | (1,872) | 30,882 |
| Fund Cash Balances, July 1, 2008 | <u>133,490</u> | <u>492</u> | <u>21,180</u> | <u>155,162</u> |
| Fund Cash Balances, June 30, 2009 | <u>\$ 166,206</u> | <u>\$ 530</u> | <u>\$ 19,308</u> | <u>\$ 186,044</u> |
| Reserve for Encumbrances, June 30, 2009 | <u>\$ 75</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 75</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, 2009**

| Fund Types/Funds | Budget | Actual | Variance Favorable (Unfavorable) |
|---------------------------------|---------------------------|---------------------------|---|
| Governmental Fund Types: | | | |
| General Fund | \$6,689,800 | \$6,690,917 | \$1,117 |
| Special Revenue Funds | 644,400 | 664,583 | 20,183 |
| Debt Service Funds | 212,200 | 212,538 | 338 |
| Capital Projects Funds | 222,700 | 288,009 | 65,309 |
| Proprietary Fund Type: | | | |
| Enterprise Funds | 313,200 | 313,233 | 33 |
| Internal Service Funds | 200 | 200 | - |
| Fiduciary Fund Type: | | | |
| Trust and Agency Funds | 72,900 | 74,738 | 1,838 |
| Total (Memorandum Only) | <u>\$8,155,400</u> | <u>\$8,244,218</u> | <u>\$88,818</u> |

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

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND
ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

| Fund Types/Funds | Prior Year Carryover Appropriations | 2009 Appropriations | Total | Actual 2009 Disbursements | Outstanding Encumbrances at 6/30/09 | Total | Variance Favorable (Unfavorable) |
|---------------------------------|---|------------------------|--------------------|------------------------------|---|--------------------|--|
| Governmental Fund Types: | | | | | | | |
| General Fund | \$5,094 | \$7,000,000 | \$7,005,094 | \$6,903,271 | \$2,125 | \$6,905,396 | \$99,698 |
| Special Revenue Funds | 9,551 | 708,824 | 718,375 | 689,692 | 3,256 | 692,948 | 25,427 |
| Debt Service Funds | 0 | 245,000 | 245,000 | 303,060 | 0 | 303,060 | (58,060) |
| Capital Projects Funds | 864 | 230,000 | 230,864 | 219,501 | 0 | 219,501 | 11,363 |
| Proprietary Fund Type: | | | | | | | |
| Enterprise Funds | 0 | 320,600 | 320,600 | 280,517 | 75 | 280,592 | 40,008 |
| Internal Service Funds | 0 | 500 | 500 | 162 | 0 | 162 | 338 |
| Fiduciary Fund Type: | | | | | | | |
| Trust and Agency Funds | 171 | 83,000 | 83,171 | 76,246 | 0 | 76,246 | 6,925 |
| Total (Memorandum Only) | \$15,680 | \$8,587,924 | \$8,603,604 | \$8,472,449 | \$5,456 | \$8,477,905 | \$125,699 |

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, 2009**

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, 2009 was 782. The School District employed 61 certificated employees and 33 non-certificated employees for 2009.

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, 2009**

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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, 2008 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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

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;

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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;
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 30th, 2009 the carrying amount of the School District's deposits was \$57,303 and the bank balance was \$101,297. Of the bank balance, \$101,297 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).

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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

| | June 30, 2009 | | |
|--------------------------|----------------------|---------------------------|-------------------------|
| | Category 3 | Carrying Value | Market Value |
| Repurchase Agreements | 847,547 | 847,547 | 847,547 |
| Star Ohio (*) | \$431,930 | \$431,930 | \$431,930 |
| Total Investments | \$847,547 | \$1,279,477 | \$1,279,477 |

(*) 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 December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

Columbiana County and Mahoning County tax rates are combined. The full tax rate applied to real property for the tax (calendar) year 2009 was \$34.31 per \$1,000 of assessed valuation, respectively. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$31.75 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$31.68 per \$1,000 of assessed valuation for all other real property for 2009. 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 on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

| | 2009 |
|--------------------------|--------------|
| Real Property: | |
| Commercial/Industrial | \$5,149,570 |
| Residential/Agricultural | 57,380,610 |
| Gas/Oil/Minerals | 71,260 |
| General | 1,727,794 |
| Public Utilities | 5,082,280 |
| Total Valuation | \$69,411,514 |

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, 2009 was as follows:

| | Principal Outstanding 7/1/2008 | Additions | Reductions | Principal Outstanding 6/30/2009 | Amounts Due in One Year |
|--------------------------------|--------------------------------------|-----------|-------------|---------------------------------------|-------------------------------|
| Governmental Activities | | | | | |
| 1999 General Obligation Bonds | \$60,000 | \$0 | (\$60,000) | \$0 | \$0 |
| 2007 General Obligation Bonds | 2,500,000 | 0 | (70,000) | 2,430,000 | 70,000 |
| Total Long-Term Liabilities | \$2,560,000 | \$0 | (\$130,000) | \$2,430,000 | \$70,000 |

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 district's students.

During 2007 the district Advanced Refunded the 1999 General Obligation Bonds. These bonds were Advance Refunded on January 4, 2007. Of the outstanding bonds, \$1,155,000 was advanced refunded and placed in escrow with the principal and interest being paid from the escrow beginning on June 1, 2007. The bonds had a non-callable portion of \$60,000 that were not part of the Advance Refunding. As a result of the refunding, the \$60,000 are deemed to have been paid and no longer an obligation of the district leaving the remaining \$60,000 as outstanding debt. The \$60,000 outstanding debt was paid in full in 2009.

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
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

The annual requirements to amortize all outstanding bonded debt as of June 30, 2009 including interest payments of \$1,166,219 are presented below.

| <u>Year ending</u> <u>June 30:</u> | <u>General</u> <u>Obligation Bonds:</u> |
|---------------------------------------|--|
| 2010 | \$182,656 |
| 2011 | 235,438 |
| 2012 | 235,375 |
| 2013 | 235,125 |
| 2014 | 234,688 |
| Subsequent | 2,472,937 |
| TOTAL | <u><u>\$3,596,219</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, 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 ending June 30, 2009, the allocation to the pension and death benefits was 9.09 percent. The remaining 4.91 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, 2009.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependants 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 – For the fiscal year ended June 30, 2009, plan members were required to contribute 10% of covered payroll for members and the School District was required to contribute 14 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions to STRS Ohio for the fiscal year ended June 30, 2009, were made by the District.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* were available after December 4, 2009.

Additional information or copies of STRS Ohio's 2009 *Comprehensive Annual Financial Report* can be requested 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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2009 no members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages.

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 employer contributions to fund health care benefits were 4.16 percent of covered payroll. In addition, SERS An additional surcharge on employers 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 2009, 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, 2009.

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 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District has made the required contributions for Medicare Part B for the year ending June 30, 2009.

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 monthly Medicare Part B premiums. 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 or by calling (888) 227-7877.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

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 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, 2009, the post-employment health care balance was \$2.6 billion at STRS Ohio. There were 129,659 eligible benefit recipients.

8. HEALTH INSURANCE

The District provides major medical, hospitalization, vision, prescription drug, dental, and life insurance benefits to its employees through a third party administrator. 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

Going Concern Implications Beyond One Year

The district had a significant decrease in student enrollment for the 2009 school year which reduced the amount of state funding for the year. The districts 5 Year forecast along with the financial statements shows that the district has been operating at a deficit each year and will continue along that route. In 2010 the district will run into a negative fund balance of (\$554,994) which will grow to a negative (\$3,813,785) in 2013. The district has tried to address the problem by reducing expenditures and refinancing debt in 2009. The district cut some administrator and teaching positions in 2007, 2008, and 2009. They have also attempted to pass an emergency levy since November 2007 and have been unsuccessful. The levy has been voted down every time it has appeared on the ballot since November 2007 and will appear again on the May 2011 ballot.

The districts management believes that without the passage of an acutely needed levy the district will not be able to operate independently in the future.

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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.

| | June 30, 2009 | |
|---|-------------------------|--|
| | <u>Textbooks</u> | <u>Capital Improvements</u> |
| Set-aside cash balance as of June 30, 2008 | (\$189,864) | \$0 |
| Current year set-aside requirement | 133,143 | 133,143 |
| Current year offsets | - | - |
| Qualifying Disbursements | <u>(9,606)</u> | <u>(133,748)</u> |
| Total | <u>(\$66,327)</u> | <u>(\$605)</u> |
| Balance carried forward to fiscal year 2010 | <u>(\$66,327)</u> | <u>\$0</u> |

The School District had qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks and capital improvement set-asides. The extra amount may be used to reduce the set-aside requirement for future years for textbooks. This negative balance is therefore presented as being carried forward to future fiscal years. Although the District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital improvements set-aside, this amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year. The District reports on the cash basis method of accounting, and therefore, if a fund balance reserve was designated, said reserve would not be reflected on the financial statements.

11. ACCOUNTABILITY AND COMPLIANCE

A. 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).

Ohio Revised Code 5705.41(D) requires that encumbrances be charged against proper appropriations. Ohio Revised Code 5705.41(B) prohibits the School District from making expenditures unless they have been properly appropriated. In addition, Auditor of State Bulletin 97-010 requires that budgetary compliance be tested at the legal level of control maintained by the School District. For the years ended June 30, 2009 the legal level of control for the School District was the fund level. The following funds were found to have expenditures plus encumbrances that exceeded appropriations.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

| June 30, 2009 | | | | |
|---------------|------------------------------|-------------------------------------|----------------------|----------|
| Fund # | Fund Name | Total Expenditures and Encumbrances | Total Appropriations | Variance |
| 516 | Title IDEA-B | \$170,022 | \$169,980 | (\$42) |
| 573 | Title V Innovative Programs | 609 | 600 | (9) |
| 599 | Miscellaneous Federal Grants | 1,960 | 1,944 | (16) |
| 002 | Bond/Note Retirement | 303,060 | 245,000 | (58,060) |

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, Andy Smith Director/Clerk-Treasurer, 24 Walnut Street, Leetonia, Ohio 44431.

13. RESTATEMENT

The District has determined that in prior years the fund balance in the debt service fund was overstated and the capital projects fund balance was understated. This was due to moving capital lease expenditures from the debt service fund to the capital projects fund and not moving the corresponding tax revenue. These restatements had an effect on the beginning fund balance at July 1, 2009.

| | Fund Balance as Previously Reported | Tax Revenue Restatement | Fund Balance As Restated |
|-------------------------------|---|----------------------------|-----------------------------|
| Governmental Activities: | | | |
| Fund Balance Debt Service | \$ 717,999 | \$ (500,000) | \$ 217,999 |
| Fund Balance Capital Projects | \$ (120,179) | \$ 500,000 | \$ 379,821 |

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**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009**

| FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title | Pass Through Entity Number | Federal CFDA Number | Receipts | Disbursements |
|---|---|------------------------------------|-----------------------|-----------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Nutrition Cluster: | | | | |
| Non-Cash Assistance (Food Distribution) | | | | |
| National School Lunch Program | N/A | 10.555 | \$12,809 | \$12,809 |
| Cash Assistance: | | | | |
| National School Lunch Program | | 10.555 | 131,730 | 131,730 |
| Total - National School Lunch Program | | | <u>144,539</u> | <u>144,539</u> |
| National School Breakfast Program | | 10.553 | 39,587 | 39,587 |
| Total - Nutrition Cluster | | | <u>184,126</u> | <u>184,126</u> |
| Total U.S. Department of Agriculture | | | <u>184,126</u> | <u>184,126</u> |
| U.S. DEPARTMENT OF EDUCATION | | | | |
| <i>Passed Through Ohio Department of Education:</i> | | | | |
| Special Education Cluster: | | | | |
| Special Education Grants to State (IDEA Part B) | FY 2008 | 84.027 | 23,183 | 24,863 |
| | FY2009 | 84.027 | 145,414 | 143,995 |
| Total Special Education Cluster | | | <u>168,597</u> | <u>168,858</u> |
| Title I Grants to Local Educational Agencies Cluster: | | | | |
| Title I Grants to Local Educational Agencies | FY 2008 | 84.010 | 4,564 | 15,153 |
| | FY 2009 | 84.010 | 144,872 | 143,995 |
| Total Title I Grants to Local Educational Agencies Cluster | | | <u>149,436</u> | <u>159,148</u> |
| Safe and Drug Free Schools and Communities Grant | FY 2008 | 84.186 | | 1,114 |
| | FY 2009 | 84.186 | 2,497 | 736 |
| Total Safe and Drug Free Schools Grant | | | <u>2,497</u> | <u>1,850</u> |
| Improving Teacher Quality State Grants | FY 2008 | 84.367 | 5,705 | 6,467 |
| | FY 2009 | 84.367 | 40,215 | 38,001 |
| Total Improving Teacher Quality State Grants | | | <u>45,920</u> | <u>44,468</u> |
| State Grants for Innovative Programs | FY 2008 | 84.298 | 609 | 609 |
| Education Technology State Grants | FY 2008 | 84.318 | | 144 |
| | FY 2009 | | 1,816 | 1,816 |
| Total Education Technology State Grants | | | <u>1,816</u> | <u>1,960</u> |
| Total U.S. Department of Education | | | <u>368,875</u> | <u>376,893</u> |
| Total | | | <u><u>553,001</u></u> | <u><u>561,019</u></u> |

The accompanying notes are an integral part of this schedule.

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FISCAL YEAR ENDED JUNE 30, 2009

NOTE A- SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) reports the District's federal award program's receipts and disbursements. The Schedule has been prepared on a cash basis of accounting.

NOTE B- CHILD NUTRITION CLUSTER

The District commingles cash receipts from 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 DONATED 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.

NOTE D – MATCHING REQUIREMENTS

Certain Federal programs require that the District contribute non-federal funds (matching funds) to support the Federally-funded programs. The District has complied with the matching requirements. The expenditure of non-Federal matching funds is not included on the Schedule.



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CERTIFIED PUBLIC ACCOUNTANTS

WWW.CANTERCPA.NET

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

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

To the Board of Education:

We have audited the financial statements of the Leetonia Exempted Village School District (the District), Columbiana County, Ohio as of and for the year ended June 30, 2009, and have issued our report thereon dated January 14, 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 and indicated the district is projected to have a fund deficit beginning in fiscal year 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

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 to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and 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 we must report under Government Auditing Standards which are described in the accompanying schedule of findings as items 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the District's management in a separate letter dated January 14, 2011.

The District's response to the findings 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 the Board of Education, management, federal awarding agencies and pass-through entities, and others within the District. We intend it for no one other than these specified parties.

CANTER & ASSOCIATES



Poland, Ohio

January 14, 2011



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Leetonia Exempted Village School District (the District), Columbiana County, 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, 2009. 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 of its major federal programs. 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 contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about 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 of the District's compliance with those requirements.

In our opinion, the Leetonia Exempted Village School District, Columbiana County, 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, 2009.

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 the 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 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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 noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the District's management in a separate letter dated January 14, 2011.

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



CANTER & ASSOCIATES

Poland, Ohio
January 14, 2011

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
YEAR ENDED JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS

| | | |
|--------------|--|--|
| (d)(1)(i) | Type of Financial Statement Opinion | ADVERSE |
| (d)(1)(ii) | Were there any material control weaknesses reported at the financial statement level (GAGAS)? | NO |
| (d)(1)(ii) | Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)? | NO |
| (d)(1)(iii) | Was there any reported material noncompliance at the financial statement level (GAGAS)? | YES |
| (d)(1)(iv) | Were there any material internal control weaknesses reported for major federal programs? | NO |
| (d)(1)(iv) | Were there any other significant deficiencies in internal control reported for major federal programs? | NO |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | UNQUALIFIED |
| (d)(1)(vi) | Are there any reportable findings under § .510? | NO |
| (d)(1)(vii) | Major Programs (list): | Special Education Cluster –IDEA Part-B/84.027 Title I Grants to Local Educational Agencies Cluster – 84.010 Child Nutrition Cluster – 10.553 &10.555 |
| (d)(1)(viii) | Dollar Threshold: Type A\B Programs | Type A: > \$ 300,000 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | NO |

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

Finding # 2009-001

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

Finding # 2009-001-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.

However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the School District may be fined and subject to various other administrative remedies, for its failure to file the required financial report.

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

OFFICIALS RESPONSE:

See attached statement.

Finding # 2009-002

OMB Circular A-133, Subpart B, §____.200(a) states that Non-Federal entities that expend \$500,000 or more in a year in Federal awards shall have a single audit conducted for that year in accordance with the provisions of this part. Subpart C, §____.300 (e) states the auditee's responsibility to ensure that the audits required by this part are properly performed and submitted when due. When extensions to the report submission due date required by §____.320(a) are granted by the cognizant or oversight agency for audit, the auditee should promptly notify the Federal Clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.

The School District expended \$500,000 in Federal awards during fiscal year 2009, and did not have the required audit performed or an extension granted in the timeframe required.

OFFICIALS RESPONSE:

Single audits shall be performed annually as required.

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| 3. FINDINGS FOR FEDERAL AWARDS |
|--------------------------------|

NONE

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315 (b)
JUNE 30, 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No longer Valid; <i>Explain</i> |
|-----------------------|--|---|--|
| 2007-001 | Ohio Administrative Code Section 117-2-03, failure to report on a GAAP Basis | This finding was re-issued as finding #2009-001 | NOT CORRECTED |
| 2007-002 | Ohio Revised Code 5705.10, paying a capital lease from debt svc. fund | This finding was re-issued as finding #2008-002 | FULLY CORRECTED |
| 2008-001 | Ohio Administrative Code Section 117-2-03, failure to report on a GAAP Basis | This finding was re-issued as finding #2009-001 | NOT CORRECTED |
| 2008-002 | Ohio Revised Code 5705.10, paying a capital lease from debt svc. fund | YES | FULLY CORRECTED |



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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountants' Report on Applying Agreed-Upon Procedures

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

1. We noted the Board adopted an anti-harassment policy at its meeting on September 26, 2007.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that includes the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;

- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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 of Education and is not intended to be and should not be used by anyone other than these specified parties.



Canter & Associates

January 14, 2011

LEETONIA EVSD RESPONSE TO 2009/2010 AUDIT FINDING #2009-001/#2010-001:

FAILURE TO PREPARE ANNUAL FINANCIAL REPORTS IN ACCORDANCE TO GAAP

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 year, restate its yearly finances in accordance with generally acceptable accounting principles (GAAP). These principles require not only the restating of existing information, but the introduction of additional information that has little or no value to the district.

The auditor's opinion that the 2009 and 2010 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 audit had no other findings other than for not providing financial statements in this format. The audit found no instances of noncompliance or reportable conditions in internal control relative to major federal financial assistance programs. Nor did the audit find any material instances of noncompliance or reportable internal control conditions in any other area.

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 its scarce resources of time and money on the, argumentatively, useless year end conversion of its financial statements to a GAAP format.

Let it be known, the district strongly supports and appreciates GAAP accounting - for the appropriate applications. So why does Leetonia not convert to GAAP? Perhaps a little history might be of assistance in understanding why Leetonia EVSD has rejected year end GAAP statements. History would show the "laissez-faire" accounting practices that preceded the Great Depression of the 1930s as unacceptable in today's business environment. These accounting practices would have seriously jeopardized the economic development of the United States if they had been allowed to continue. Previous to any serious, consistent GAAP there were no standards for handling, for example, the accounting of depreciation or replacement of operating assets. As a direct result of the Great Depression and the haphazard accounting practices of the time that were instrumental in creating the depression, the SEC was created. A critical part of the justification in creating the SEC was the need to regain public trust in equity investing and related financial reporting. Without sufficient capital investment, the country simply could not grow. The SEC, along with the American Institute of Certified Public Accountants (AICPA), strove to create and enforce accounting standards that were accepted throughout America's business world. They, along with the Financial Accounting Standards Board (FASB) and other professional and governmental accounting organizations, continue to this day to address such areas as off balance sheet financing, public disclosure of management forecasts, pension accounting, management compensation accounting, post-employment benefit accounting and cost accounting. The need for new standards for such things as expensing dry holes in oil and gas accounting and the best method for the accounting of employee stock options continues to be recognized. In today's complex world of free enterprise it is absolutely critical to establish and refine consistent and acceptable accounting principals.

The accounting issues noted above were the basis for establishing GAAP. But, they are simply not issues public school districts face. Once you understand the history of accounting and the resulting foundations of GAAP you will better understand why Leetonia EVSD does not waste its tax payers' money or its limited staff to convert financial data to GAAP standards.



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
MARCH 24, 2011