



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, 2013, 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 on U.S. Generally Accepted Accounting Principles* 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, 2013 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 (the Schedule) 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 on U.S. Generally Accepted Accounting Principles* 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 February 10, 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

February 10, 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, 2013**

	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	\$ 1,505,717	\$ 23,936	\$ 286,996	\$ 227,610	\$ -	\$ 2,044,259
Tuition	815,149	-	-	-	-	815,149
Gifts and Contributions	3,450	-	-	-	13,870	17,320
Earnings on Investment	531	-	-	25	69	625
Extracurricular Activities	12,696	118,415	-	-	-	131,111
Payments in Lieu of Taxes	12,815	-	-	-	-	12,815
Miscellaneous Receipts	215,303	377	-	-	-	215,680
Intergovernmental	4,987,549	489,147	47,350	44,486	-	5,568,532
Total Cash Receipts	7,553,210	631,875	334,346	272,121	13,939	8,805,491
Cash Disbursements:						
Current:						
Instruction:						
Regular	3,367,097	97,975	-	90,838	-	3,555,910
Special	903,425	332,532	-	-	-	1,235,957
Vocational Education	90,696	-	-	17,334	-	108,030
Student Intervention Services	1,412	-	-	-	-	1,412
Support Services:						
Pupils	426,440	1,781	-	-	27,190	455,411
Instructional Staff	238,139	38,546	-	-	-	276,685
Board of Education	21,530	-	-	-	-	21,530
School Administration	464,762	-	-	-	-	464,762
Fiscal	193,334	572	6,888	5,482	-	206,276
Operational and Maintenance	572,638	31,199	-	3,410	-	607,247
Pupil Transportation	323,825	-	-	76,305	-	400,130
Central	136,252	-	-	-	-	136,252
Operation of Non-Instructional Services:						
Other Operation of Non-Instructional Services	33,648	-	-	-	-	33,648
Extracurricular Activities:						
Academic and Subject Oriented	-	5,774	-	-	-	5,774
Sports Oriented	974	85,609	-	425	-	87,008
Co-Curricular Activities	112,551	34,326	-	-	-	146,877
Facilities Acquisition and Construction Services:						
Other Facilities Acquisition and Improvement	-	-	-	44,402	-	44,402
Building Acquisition and Construction Services	-	-	-	125,000	-	125,000
Site Improvement Services	-	-	-	324	-	324
Debt Service:						
Principal Payments	-	-	145,000	-	-	145,000
Interest Payments	-	-	87,406	-	-	87,406
Total Cash Disbursements	6,886,723	628,314	239,294	363,520	27,190	8,145,041
Excess of Cash Receipts Over/(Under) Cash Disbursements						
	666,487	3,561	95,052	(91,399)	(13,251)	660,450
Other Financing Sources (Uses):						
Transfers-In	-	17,273	-	20,321	-	37,594
Advances-In	62,495	65	41,038	-	-	103,598
Refund of Prior Year Receipt	-	310	-	-	-	310
Transfers-Out	(14,404)	(2,869)	-	(20,321)	-	(37,594)
Advances-Out	(42,007)	(11,622)	(50,861)	-	-	(104,490)
Total Other Financing Sources (Uses)	6,084	3,157	(9,823)	-	-	(582)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses						
	672,571	6,718	85,229	(91,399)	(13,251)	659,868
Fund Cash Balances, July 1, 2012	315,187	100,183	55,180	420,644	123,787	1,014,981
Fund Cash Balances, June 30, 2013	\$ 987,758	\$ 106,901	\$ 140,409	\$ 329,245	\$ 110,536	\$ 1,674,849
Reserve for Encumbrances, June 30, 2013	\$ 4,161	\$ 65,343	\$ -	\$ -	\$ -	\$ 69,504

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, 2013**

	<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	\$ 126,670			\$ 126,670
Miscellaneous		\$ 7,181	\$ 73,823	81,004
Total Operating Cash Receipts	<u>126,670</u>	<u>7,181</u>	<u>73,823</u>	<u>207,674</u>
Operating Cash Disbursements:				
Personal Services-Salaries	78,804			78,804
Employees' Retirement and Insurance	36,358			36,358
Other		6,260		6,260
Purchased Services	201,301			201,301
Supplies and Materials	9,761			9,761
Capital Outlay	3,430			3,430
Extracurricular Activities			78,471	78,471
Total Operating Cash Disbursements	<u>329,654</u>	<u>6,260</u>	<u>78,471</u>	<u>414,385</u>
Excess of Operating Cash Receipts Over / (Under)				
Operating Cash Disbursements	<u>(202,984)</u>	<u>921</u>	<u>(4,648)</u>	<u>(206,711)</u>
Non-Operating Cash Receipts/(Disbursements):				
Interest	6			6
Federal & State Sources:				
Unrestricted Grants-In-Aid	<u>197,415</u>			<u>197,415</u>
Total Non-Operating Cash Receipts	<u>197,421</u>	<u>-</u>	<u>-</u>	<u>197,421</u>
Income (Loss) before Advances	(5,563)	921	(4,648)	(9,290)
Advances - In			904	904
Advances - Out			<u>(12)</u>	<u>(12)</u>
Net Change in Fund Balance	(5,563)	921	(3,756)	(8,398)
Fund Cash Balances, July 1, 2012	<u>167,868</u>	<u>480</u>	<u>16,108</u>	<u>184,456</u>
Fund Cash Balances, June 30, 2013	<u>\$ 162,305</u>	<u>\$ 1,401</u>	<u>\$ 12,352</u>	<u>\$ 176,058</u>
Reserve for Encumbrances, June 30, 2013	<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, 2013**

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, 2012 was 785. The School District employed 51 certificated employees and 30 non-certificated employees for 2013.

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 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:

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

1. General Fund

This Fund is the general operating fund for the 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.

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. The District had the following significant Special Revenue Funds:

Supplemental K-12 Facilities Maintenance Fund – This fund receives tax levy and state grant monies restricted for the purpose of the grant provisions.

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Fund Accounting (continued)

6. Internal Service Funds

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

7. Fiduciary Funds

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

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources at the fund level of control, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The District has elected to budget Agency Funds.

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary Process (continued)

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, 2012 unencumbered fund balances. However, those fund balances are available for appropriations.

A summary of 2013 budgetary activity appears in Note 3.

3. Appropriations

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

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

4. Encumbrances

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

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

F. Property, Plant and Equipment

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

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.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

	June 30, 2013
Demand deposits	\$125,133
Petty Cash on Hand	3,100
Total deposits	128,233
STAR Ohio	26,267
Repurchase agreement	1,696,407
Total investments	1,722,674
Total deposits and investments	\$1,850,907

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, 2013**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending June 30, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,615,705	\$7,615,705	\$0
Special Revenue	720,985	649,523	(71,462)
Debt Service	375,384	375,384	0
Capital Projects	292,442	292,442	0
Enterprise	324,091	324,091	0
Internal Service	7,181	7,181	0
Private Purpose Trust	13,939	13,939	0
Agency	74,727	74,727	0
Total	\$9,424,454	\$9,352,992	(\$71,462)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$6,947,300	\$6,947,300	\$0
Special Revenue	708,152	708,152	0
Debt Service	290,155	290,155	0
Capital Projects	383,841	383,841	0
Enterprise	329,656	329,656	0
Internal Service	6,261	6,261	0
Private Purpose Trust	27,190	27,190	0
Agency	78,483	78,483	0
Total	\$8,771,038	\$8,771,038	\$0

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 three years with a triennial update.

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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 2012 for fiscal year 2013 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 2012. 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.

	2013
Real Property:	
Commercial/Industrial	\$6,008,620
Residential/Agricultural	59,006,900
Public Utility Personal	6,018,830
Total Valuation	\$71,034,350

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.

5. DEBT

Debt outstanding at June 30, 2013 was as follows:

	Principal Outstanding 7/1/2012	Additions	Reductions	Principal Outstanding 6/30/2013	Amount Due in One Year
Governmental Activities					
2007 General Obligation Bonds	\$ 900,000	\$ -	\$ (85,000)	\$ 815,000	\$ 90,000
2007 Library Construction Obligation Bonds	1,125,000	0	(60,000)	1,065,000	60,000
Total Long-Term Liabilities	\$2,025,000	\$0	(\$145,000)	\$1,880,000	\$150,000

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 house all the district's students.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

5. DEBT (continued)

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 13 for more detail.

The annual requirements to amortize all outstanding bonded debt as of June 30, 2013, including interest payments are presented below.

<u>Year ending</u> <u>June 30:</u>	<u>General</u> <u>Obligation Bonds:</u>	<u>General</u> <u>Library Bonds:</u>
2014	\$ 125,000	\$ 106,875
2015	116,689	104,625
2016	118,438	102,375
2017	121,750	131,250
2018	124,250	94,875
2019-2023	479,625	433,125
2024-2028		364,375
2029-2031		242,000
TOTAL	<u>\$1,085,751</u>	<u>\$1,579,500</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 as of June 30, 2013:

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

6. CAPITAL LEASE AGREEMENT (continued)

<u>Year ending</u>	<u>Capital Lease</u>
<u>June 30:</u>	<u>Payments</u>
2014	\$ 125,000
2015	125,000
2016	125,000
2017	125,000
2018	125,000
2019-2023	500,000
2024-2025	<u>250,000</u>
TOTAL	<u>\$ 1,375,000</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.

8. 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; 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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. PENSION PLANS (continued)

A. School Employees Retirement System (continued)

Benefit Fund, Medicare Part B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2013, 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 District has paid all contributions required through June 30, 2013.

B. State Teachers Retirement System

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

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

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “salary-related benefit” or the “money-purchase benefit” calculation. Under the “formula benefit”, the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years. The annual allowance is calculated by using a base percentage of 2.2 percent multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5 percent. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6 percent for 32 years, 2.7 percent for 33 years and so on) until 100 percent of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5 percent instead of 2.2

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

percent. Contributing service credit over 30 years continues to be calculated at the escalating formula noted above. A member with 35 years of contributing service credit will receive 88.5% of the final above average salary. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest are matched by employer funds to provide an annuity reserve. This total is then divided by an annuity value, which factor to determine the maximum annual retirement allowance.

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

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

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

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

Benefits are increased annually by three percent of the original base amount for Defined Benefit Plan participants through 2013.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of Medicare Part B premium costs. A Defined Benefit or Combined Plan

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. PENSION PLANS (continued)

B. State Teachers Retirement System (continued)

member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who dies before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2013, was 14 percent. The District has paid all contributions required through June 30, 2013.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2013 *Comprehensive Annual Financial Report* are available by writing to STRS Ohio, 275 East Broad Street, Columbus, OH 43215-3371, or by calling toll free 1-888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

9. 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 allocations 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, 2013, employer contributions to fund health care were 0.16 percent of covered payroll. In addition, SERS has a surcharge on employers that is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum pay determined by an actuary was \$20,525. The District has

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

9. POSTEMPLOYMENT BENEFITS (continued)

made all the required contributions (including surcharge) for the fiscal year ended June 30, 2013.

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 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District has made the required contributions for Medicare Part B for the year ending June 30, 2013.

State Teachers Retirement System

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

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

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, 2012 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was \$2.96 billion as of January 1, 2012.

10. HEALTH INSURANCE

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

10. HEALTH INSURANCE (continued)

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 23 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 a common fund from which claim payments and claims are made for all participating districts, regardless of cash flow.

11. SET-ASIDE CALCULATION AND FUND RESERVES

The 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, 2012	\$ 22,027
Current year set-aside requirement	129,624
Qualifying Disbursements	<u>\$ (170,717)</u>
Total	<u>\$ (19,066)</u>

12. ACCOUNTABILITY AND COMPLIANCE

Legal Compliance

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

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

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 District for operational subsidies. Although the District does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purposes are discretionary decisions made solely by the Board of Trustees.

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

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**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title		Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE <i>Passed Through Ohio Department of Education</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program		10.555		\$115,080		\$112,942
Cash Assistance:						
School Breakfast Program		10.553	\$40,636		\$40,636	
National School Lunch Program		10.555	152,432		152,432	
Total U.S. Department of Agriculture			193,068	115,080	193,068	112,942
U.S. DEPARTMENT OF EDUCATION <i>Passed Through Ohio Department of Education</i>						
Title I Grants to Local Educational Agencies	2012	84.010	12,392		13,457	
Title I Grants to Local Educational Agencies	2013	84.010	157,460		162,542	
Total Title I Grants to Local Agencies			169,852		175,999	
IDEA, Part B Grant	2012	84.027	11,047		11,047	
IDEA, Part B Grant	2013	84.027	144,454		144,454	
Total IDEA, Part B Grant			155,501		155,501	
Title II-A Grant	2012	84.367	5,525		5,525	
Title II-A Grant	2013	84.367	29,468		30,142	
Total Title II-A Grant			34,993		35,667	
ARRA - Race to the Top	2012	84.395	3,463		5,781	
ARRA - Race to the Top	2013	84.395	37,478		41,030	
Total ARRA - Race to the Top			40,941		46,811	
Rural Education	2013	84.358	13,170		13,170	
Education Jobs Fund		84.410	37,560		38,417	
Total U.S. Department of Education			\$ 452,017	\$ -	\$ 465,565	\$ -
Total			\$ 645,085	\$ 115,080	\$ 658,633	\$ 112,942

The accompanying notes are an integral part of this schedule.

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

INDEPENDENT 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, 2013, and the related notes to the financial statements and have issued our report thereon dated February 10, 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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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 2013-001.

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

February 10, 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, 2013. 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, 2013.

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

February 10, 2014

**LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

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)?	No
<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 IDEA, Part B - CFDA #84.027
<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 2013-001

Material Noncompliance:

Ohio Revised Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirement of Ohio Revised Code Section 117.38.

**FINDING NUMBER 2013-001
(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 – 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 2013 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, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	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 2013-001

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on November 15, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

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

Dave Yost
Auditor of State

February 10, 2014

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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
MARCH 18, 2014