CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY

REGULAR AUDIT
FOR THE YEARS ENDED JUNE 30, 2007-2008

Mary Taylor, CPA
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 and Company, for the audit period July 1, 2006 through June 30, 2008. 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.

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 8, 2008

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Leetonia Exempted Village School District
Columbiana County

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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 years ended June 30, 2007 and June 30, 2008. 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 years ended June 30, 2007 and 2008 in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 10, 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 October 15, 2008, 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.

Canter & Co

Canter & Company

October 15, 2008

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, 2007

					Fiduciary Fund Type	
	General	Special Revenue	Debt Service	Capital Projects	Private Purpose Trust	Totals (Memorandum Only)
Cash Receipts:						
Receipts from Local Sources:						
Taxes	$ 1,589,949	$ 24,097	$ 256,866			$ 1,870,912
Tuition	244,251					244,251
Transportation Fees	17,998					17,998
Earnings on Investment	95,060			21,027	2,987	119,074
Extracurricular Activities	996	108,777				109,773
Classroom Materials and Fees	12,777					12,777
Miscellaneous Receipts	13,704	19,172		475,000	20,814	528,690
Revenue from Intermediate Sources:						
Revenue in Lieu of Taxes	43,681					43,681
Receipts from State Sources:						
Unrestricted Grants-In-Aid	4,062,974	3,329	33,579			4,099,882
Restricted Grants-In-Aid	538,033	84,459				622,492
Receipts from Federal Sources:						
Restricted Grants-In-Aid		362,554				362,554
Total Cash Receipts	6,619,423	602,388	290,445	496,027	23,801	8,032,084
Cash Disbursements:						
Current:						
Instruction:						
Regular	3,675,808	64,484		9,794		3,750,086
Special	893,452	299,203				1,192,655
Vocational Education	4,688					4,688
Other	27,194					27,194
Support Services:						
Pupils	342,934	7,356				350,290
Instructional Staff	44,354	30,355				74,709
Board of Education	24,496					24,496
School Administration	663,717	51,529				715,246
Fiscal	142,325					142,325
Operational and Maintenance	751,583	54,999				806,582
Pupil Transportation	314,434					314,434
Central	22,587					22,587
Operation of Non-Instructional Services:						
Community Services		394				394
Other Operation of Non-Instructional Services	24,765					24,765
Extracurricular Activities:						
Academic and Subject Oriented		4,539				4,539
Sports Oriented	594	72,950			15,838	89,382
Co-Curricular Activities	108,261	43,578				151,839
Facilities Acquisition and Construction Services:						
Building Improvement	4,599					4,599
Other Facilities Acquisition and Improvement				125,829		125,829
Debt Service:						
Principal Payments			55,000			55,000
Interest Payments			85,587			85,587
Payment to Refunded Bond Escrow Agent			1,217,207			1,217,207
Bond Issuance Costs			36,978			36,978
Total Cash Disbursements	7,045,791	629,387	1,394,772	135,623	15,838	9,221,411
Excess of Cash Receipts Over/(Under) Cash Disbursements	(426,368)	(26,999)	(1,104,327)	360,404	7,963	(1,189,327)
Other Financing Sources (Uses):						
Premium and Accrued Interest on Bonds Sold			101,560			101,560
Sale of Bonds			1,155,000			1,155,000
Transfers-In		41,000				41,000
Advances-In	4,920					4,920
Transfers-Out	(41,000)					(41,000)
Advances-Out		(4,920)				(4,920)
Total Other Financing Sources (Uses)	(36,080)	36,080	1,256,560	0	0	1,256,560
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(462,448)	9,081	152,233	360,404	7,963	67,233
Fund Cash Balances, July 1, 2006	1,580,021	58,086	466,147	(111,209)	83,427	2,076,472
Fund Cash Balances, June 30, 2007	**$ 1,117,573**	**$ 67,167**	**$ 618,380**	**$ 249,195**	**$ 91,390**	**$ 2,143,705**
Reserve for Encumbrances, June 30, 2007	$ 168,298	$ 5,336	$ -	$ 5,000	$ -	$ 178,634

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, 2007

	Proprietary Fund Types		Fiduciary Fund Types	
	Enterprise	Internal Service	Agency	Totals (Memorandum Only)
Operating Cash Receipts:				
Food Services	$ 132,545			$ 132,545
Extracurricular Activities		$ 2,119	$ 74,841	76,960
Total Operating Cash Receipts	132,545	2,119	74,841	209,505
Operating Cash Disbursements:				
Personal Services-Salaries	95,224			95,224
Employees' Retirement and Insurance	45,435			45,435
Purchased Services	2,603	18,179		20,782
Supplies and Materials	94,432			94,432
Capital Outlay	3,820			3,820
Capital Outlay Replacement	3,584			3,584
Other Objects	153	1,564	69,741	71,458
Total Operating Cash Disbursements	245,251	19,743	69,741	334,735
Excess of Operating Cash Receipts Over / (Under) Operating Cash Disbursements	(112,706)	(17,624)	5,100	(125,230)
Non-Operating Cash Receipts/(Disbursements):				
Premium and Accrued Interest on Bonds Sold			70,594	70,594
Sale of Bonds			1,420,000	1,420,000
Bond Issuance Costs			(40,097)	(40,097)
Pass Through to Library			(1,450,000)	(1,450,000)
State Sources:				
Unrestricted Grants-In-Aid	5,887			5,887
Federal Sources:				
Unrestricted Grants-In-Aid	111,724			111,724
Total Non-Operating Cash Receipts	117,611	0	497	118,108
Net Receipts Over/(Under) Disbursements	4,905	(17,624)	5,597	(7,122)
Fund Cash Balances, July 1, 2006	100,466	21,687	22,060	144,213
Fund Cash Balances, June 30, 2007	**$ 105,371**	**$ 4,063**	**$ 27,657**	**$ 137,091**
Reserve for Encumbrances, June 30, 2007	$ 11,600	$ -	$ 12,115	$ 23,715

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, 2007

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	$6,624,300	$6,624,343	$43
Special Revenue Funds	643,300	643,388	88
Debt Service Funds	1,587,700	1,547,005	(40,695)
Capital Projects Funds	496,000	496,027	27
Proprietary Fund Type:			
Enterprise Funds	250,200	250,156	(44)
Internal Service Funds	2,100	2,119	19
Fiduciary Fund Type:			
Trust and Agency Funds	1,548,600	1,589,236	40,636
Total (Memorandum Only)	$11,152,200	$11,152,274	$74

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, 2007

	Prior Year Carryover Appropriations	2007 Appropriations	Total	Actual 2007 Disbursements	Outstanding Encumbrances at 6/30/07	Total	Variance Favorable (Unfavorable)
Fund Types/Funds							
Governmental Fund Types:							
General Fund	$15,537	$7,100,000	$7,115,537	$7,086,791	$168,298	$7,255,089	($139,552)
Special Revenue Funds	10,075	634,286	644,361	634,307	5,336	639,643	4,718
Debt Service Funds	0	1,559,800	1,559,800	1,394,772	0	1,394,772	165,028
Capital Projects Funds	0	10,600	10,600	135,623	5,000	140,623	(130,023)
Proprietary Fund Type:							
Enterprise Funds	2,485	245,300	247,785	245,251	11,600	256,851	(9,066)
Internal Service Funds	0	19,800	19,800	19,743	0	19,743	57
Fiduciary Fund Type:							
Trust and Agency Funds	4,996	1,535,500	1,540,496	1,575,676	12,115	1,587,791	(47,295)
Total (Memorandum Only)	$33,093	$11,105,286	$11,138,379	$11,092,163	$202,349	$11,294,512	($156,133)

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 GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Governmental Fund Types				Fiduciary Fund Type	
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Private Purpose Trust**	**Totals (Memorandum Only)**
Cash Receipts:						
Receipts from Local Sources:						
Taxes	$ 1,590,933	$ 23,690	$ 296,719	$ -	$ -	$ 1,911,342
Tuition	287,551					287,551
Transportation Fees	16,333			16,826		33,159
Earnings on Investment	51,423				1,934	53,357
Extracurricular Activities	1,524	139,048				140,572
Classroom Materials and Fees	9,352					9,352
Miscellaneous Receipts	17,513	18,156		38,064	12,958	86,691
Revenue from Intermediate Sources:						
Revenue in Lieu of Taxes	34,549					34,549
Receipts from State Sources:						
Unrestricted Grants-In-Aid	4,149,746	3,844	46,899			4,200,489
Restricted Grants-In-Aid	576,072	104,084				680,156
Receipts from Federal Sources:						
Restricted Grants-In-Aid		321,255				321,255
Total Cash Receipts	6,734,996	610,077	343,618	54,890	14,892	7,758,473
Cash Disbursements:						
Current:						
Instruction:						
Regular	3,674,098	65,625		2,873		3,742,596
Special	1,095,420	276,791				1,372,211
Vocational Education	8,056					8,056
Other	26,850	10,345				37,195
Support Services:						
Pupils	337,253	7,764				345,017
Instructional Staff	40,265	22,692				62,957
Board of Education	20,473					20,473
School Administration	618,902	47,647				666,549
Fiscal	126,535					126,535
Operational and Maintenance	751,049	57,081				808,130
Pupil Transportation	336,077			69,344		405,421
Central	21,498					21,498
Operation of Non-Instructional Services:						
Other Operation of Non-Instructional Services	25,355				5,925	31,280
Extracurricular Activities:						
Academic and Subject Oriented		5,596				5,596
Sports Oriented	430	95,781				96,211
Co-Curricular Activities	109,082	40,808				149,890
Facilities Acquisition and Construction Services:						
Building Acquisition and Construction				162,917		162,917
Other Facilities Acquisition and Improvement				189,130		189,130
Debt Service:						
Principal Payments			130,000			130,000
Interest Payments			113,999			113,999
Total Cash Disbursements	7,191,343	630,130	243,999	424,264	5,925	8,495,661
Excess of Cash Receipts Over/(Under) Cash Disbursements	(456,347)	(20,053)	99,619	(369,374)	8,967	(737,188)
Other Financing Sources (Uses):						
Sale of Assets	6,432					6,432
Transfers-In		42,300				42,300
Transfers-Out	(42,300)					(42,300)
Total Other Financing Sources (Uses)	(35,868)	42,300	0	0	0	6,432
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(492,215)	22,247	99,619	(369,374)	8,967	(730,756)
Fund Cash Balances, July 1, 2007	1,117,573	67,167	618,380	249,195	91,390	2,143,705
Fund Cash Balances, June 30, 2008	**$ 625,358**	**$ 89,414**	**$ 717,999**	**$ (120,179)**	**$ 100,357**	**$ 1,412,949**
Reserve for Encumbrances, June 30, 2008	$ 5,094	$ 9,551	$ -	$ 864	$ -	$ 15,509

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, 2008

	Proprietary Fund Types		Fiduciary Fund Types	
	Enterprise	Internal Service	Agency	Totals (Memorandum Only)
Operating Cash Receipts:				
Food Services	$ 131,537			$ 131,537
Extracurricular Activities		$ 1,778	$ 69,275	71,053
Total Operating Cash Receipts	131,537	1,778	69,275	202,590
Operating Cash Disbursements:				
Personal Services-Salaries	66,672			66,672
Employees' Retirement and Insurance	39,718			39,718
Purchased Services	154,487			154,487
Supplies and Materials	13,961			13,961
~~Capital Outlay~~				-
Other Objects		3,842	75,752	79,594
Total Operating Cash Disbursements	274,838	3,842	75,752	354,432
Excess of Operating Cash Receipts Over / (Under) Operating Cash Disbursements	(143,301)	(2,064)	(6,477)	(151,842)
Non-Operating Cash Receipts/(Disbursements):				
Miscellaneous		(1,507)		(1,507)
State Sources:				
Unrestricted Grants-In-Aid	5,200			5,200
Federal Sources:				
Unrestricted Grants-In-Aid	166,220			166,220
Total Non-Operating Cash Receipts	171,420	(1,507)	0	169,913
Net Receipts Over/(Under) Disbursements	28,119	(3,571)	(6,477)	18,071
Fund Cash Balances, July 1, 2007	105,371	4,063	27,657	137,091
Fund Cash Balances, June 30, 2008	**$ 133,490**	**$ 492**	**$ 21,180**	**$ 155,162**
Reserve for Encumbrances, June 30, 2008	$ -	$ -	$ 171	$ 171

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, 2008

Fund Types/Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	$6,740,000	$6,741,428	$1,428
Special Revenue Funds	648,853	652,377	3,524
Debt Service Funds	343,600	343,618	18
Capital Projects Funds	53,800	54,890	1,090
Proprietary Fund Type:			
Enterprise Funds	302,000	302,957	957
Internal Service Funds	200	271	71
Fiduciary Fund Type:			
Trust and Agency Funds	84,000	84,167	167
Total (Memorandum Only)	$8,172,453	$8,179,708	$7,255

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, 2008

	Prior Year Carryover Appropriations	2008 Appropriations	Total	Actual 2008 Disbursements	Outstanding Encumbrances at 6/30/08	Total	Variance Favorable (Unfavorable)
Fund Types/Funds							
Governmental Fund Types:							
General Fund	$168,298	$7,300,000	$7,468,298	$7,233,643	$5,094	$7,238,737	$229,561
Special Revenue Funds	5,336	706,428	711,764	630,130	9,551	639,681	72,083
Debt Service Funds	0	369,000	369,000	243,999	0	243,999	125,001
Capital Projects Funds	5,000	303,000	308,000	424,264	864	425,128	(117,128)
Proprietary Fund Type:							
Enterprise Funds	11,600	300,000	311,600	274,838	0	274,838	36,762
Internal Service Funds	0	4,200	4,200	3,842	0	3,842	358
Fiduciary Fund Type:							
Trust and Agency Funds	12,115	104,000	116,115	81,677	171	81,848	34,267
Total (Memorandum Only)	$202,349	$9,086,628	$9,288,977	$8,892,393	$15,680	$8,908,073	$380,904

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

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, 2006 and 2007 was 862 and 845, respectively. The School District employed 65 certificated employees and 35 non-certificated employees for 2007 and 63 certificated employees and 34 non-certificated employees for 2008.

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.

2. Special Revenue Funds

Special revenue funds are used to account for proceeds of specific revenue sources (other than permanent funds, or major capital projects) that are legally restricted to disbursements for specified purposes.

3. Debt Service Funds

These funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs. According to the government accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For the purpose of this report, these funds have been classified into the proper groups if practical.

4. Capital Projects Funds

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust Funds).

5. Enterprise Funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

6. Internal Service Funds

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

7. Fiduciary Funds

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

E. Budgetary Process

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

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, 2006 or July 1, 2007 unencumbered fund balances. However, those fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year for the period July 1 to September 30. An annual appropriation measure must be passed by October 1 of each year for the period July 1 to June 30. The appropriation measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources.

4. Encumbrances

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

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

F. Property, Plant and Equipment

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

G. Total Columns on Financial Statements

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

H. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting described in Note 1.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The School District maintains a cash and investment pool used by all funds.

Legal Requirements: Statutes require the classification of monies held by the School District into three categories.

Category A consists of "active" monies, those monies are required to be kept in a "cash" or "near cash" status for immediate use by the School District. Such monies must be maintained either as cash in the School District treasury or negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" monies, those monies are not required for use within the current two year period of designation of depositories. Inactive monies may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories.

Category C consists of "interim" monies, those monies which are not needed for immediate use but which will be needed before the end of the current period of depositories. Interim monies may be invested or deposited in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

Deposits

At June 30th, 2007 and 2008, the carrying amount of the School District's deposits was $149,843 and $693,040 respectively and the bank balance was $195,035 and $704,965, respectively. Of the bank balance, $100,000 was covered by federal depository insurance and $95,035 and $604,965, respectively, was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateral pools securing all public funds on deposit with specific depository institutions.

Investments - The School District's investments are categorized below to give an indication of the level of risk assumed by the entity at year-end.

1. Securities held by the entity or its agent in the entity's name (Category 1).

2. Securities held by the counterparty's trust department or agent in the entity's name (Category 2).

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

	June 30, 2007		
	Category 3	**Carrying Value**	**Market Value**
Repurchase Agreements	46,257	46,257	46,257
Star Ohio (*)		$2,084,696	$2,084,696
Total Investments	$46,257	$2,130,953	$2,130,953

	June 30, 2008		
	Category 3	**Carrying Value**	**Market Value**
Repurchase Agreements	72,353	72,353	72,353
Star Ohio (*)		802,718	802,718
Total Investments	$72,353	$875,071	$875,071

(*) 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 2006 and 2007 was $41.46 and $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 $29.86 per $1,000 of assessed valuation for real property classified as residential/agricultural and $30.74 per $1,000 of assessed valuation for all other real property for 2006 and $31.68 per $1,000 of assessed valuation for real property classified as residential/agricultural and $31.75 per $1,000 of assessed valuation for all other real property for 2007. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the School District by the State of Ohio.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the tax (calendar) year 2006 and 2007 was $41.46 and $31.75 per $1000 of assessed valuation.

	2006	2007
Real Property		
Commercial/Industrial	$4,959,920	$5,220,830
Residential/Agricultural	52,473,060	57,949,120
Gas/Oil/Minerals	39,330	0
General	1,288,980	1,159,284
Public Utilities	5,335,600	5,082,280
Total Valuation	$64,096,890	$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, 2007 and June 30, 2008 was as follows:

	Principal Outstanding 7/1/2006	Additions	Reductions	Principal Outstanding 6/30/2007	Amounts Due in One Year
Governmental Activities					
1999 General Obligation Bonds	$1,325,000	$0	($1,210,000)	$115,000	$55,000
2007 General Obligation Bonds	0	2,575,000	0	2,575,000	75,000
Total Long-Term Liabilities	$1,325,000	$2,575,000	($1,210,000)	$2,690,000	$130,000

	Principal Outstanding 7/1/2007	Additions	Reductions	Principal Outstanding 6/30/2008	Amounts Due in One Year
Governmental Activities					
1999 General Obligation Bonds	$115,000	$0	($55,000)	$60,000	$60,000
2007 General Obligation Bonds	2,575,000	0	(75,000)	2,500,000	70,000
Total Long-Term Liabilities	$2,690,000	$0	($130,000)	$2,560,000	$130,000

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.

The School District incurred debt obligations during 2001. These debt instruments were in the form of: (1) general obligation bonds for school improvement including the construction of a new school building which will house all the district's students.

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 $115,000 that were not part of the Advance Refunding. As a result of the refunding, the $1,155,000 are deemed to have been paid and no longer an obligation of the district leaving the remaining $115,000 as outstanding debt.

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.

The annual requirements to amortize all outstanding bonded debt as of June 30, 2007 and 2008, including interest payments of $1,388,447 and $1,274,449, respectively, are presented below.

Year ending June 30:	General Obligation Bonds:
2009	$241,148
2010	235,313
2011	235,438
2012	235,375
2013	235,125
Subsequent	2,896,048
TOTAL	$4,078,447

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 School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2008, 2007 and 2006 were $128,172, $129,108 and $126,108 respectively; 100 percent has been contributed for fiscal years 2006, 2005 and 2004.

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 DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment choices. 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 "formula 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 percent. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity 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 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 one percent 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. 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 the elapse of two months 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.

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 monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

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

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

Contribution requirements and the contributions actually made for the fiscal year ended June 30, 2008, were 10 percent of covered payroll for members and 14 percent for employers. The District's required contributions to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were $617,053, $644,442, and $613,820, respectively; 89.2 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were $11,780 made by the District and $11,484 made by the plan members.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio's 2007 *Comprehensive Annual Financial Report* were available after December 26, 2007.

Additional information or copies of STRS Ohio's 2007 *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.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007, and 2006, were $460,968, $457,872, and 427,392 respectively; 100 percent has been contributed for fiscal year 2008, 2007, and 2006. The School District had no contributions to either the DC plan or Combined Plan for fiscal years 2008, 2007, and 2006.

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, 2007 (the latest information available), employer contributions to fund health care benefits were 3.32 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established as $35,800. For the School District, this amount equaled $32,108 and $32,761 for fiscal years 2007 and 2008, respectively.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate provides for maintenance of the asset target level for the health care fund. Health care benefits are financed on a pay as you go basis. Net health care costs for the year ending June 30, 2007 (the latest information available), were $158,651,207. The number of participants eligible to receive benefits was 59,492. The target level for the health care fund is 150 percent of the projected claims less premium contributions for the next fiscal year. At June 30, 2007 the value of the health care fund was $295.6 million, which is about 221 percent of next year's projected net health care costs of. On the basis of actuarial projections, the allocated contributions will be insufficient, in the long term, to provide for a health care reserve equal to at least 150 percent of estimated annual net claim costs.

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 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, 2007 (the latest information available) the board allocated employer contributions equal to one percent of covered payroll to the Health Care Stabilization Fund. The balance in the Health Care Stabilization Fund was $4.1 billion on June 30, 2007.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000. There were 122,934 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 13 member school districts. The plan was organized to provide health care and other benefits to its member organizations. Rates are calculated and set through an annual update process. The District pays a monthly contribution which is placed in common fund from which claim payments and claims are made for all participating districts, regardless of cash flow.

9. CONTINGENCIES

A. Litigation

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

The School District entered into a settlement agreement with The Buerhrer Group Architecture & Engineering, Inc., who was the architect for the new school buildings built and Heery International, Inc., the construction manager for the same project. The total settlement amount was for $575,000, which would be paid for by Buerhrer ($300,000) and Heery ($275,000). Buehrer had paid $100,000 prior and the remaining balance of $200,000 was paid in FY 2007. Heery paid their full amount in FY 2007 also.

These amounts are reflected in the capital projects fund under Miscellaneous Receipts for $475,000. The funds are being held by the district until the project is completed at which time they will be used to reimburse the OSFC for costs and legal fees. The district will receive approximately $54,656 of these funds upon completion.

B. Going Concern Implications Beyond One Year

The district had a significant decrease in student enrollment for the 2007-2008 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 ($204,888) which will grow to a negative ($1,415,167) in 2012. The district has tried to address the problem by reducing expenditures and refinancing debt in 2007. The district cut some administrator and teaching positions in 2007 and 2008. They have also attempted to pass an emergency levy since November 2007 and have been unsuccessful. This levy was voted down in August of 2008 and will appear on the November 2008 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. 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, 2007	
	Textbooks	Capital Improvements
Set-aside cash balance as of June 30, 2006	($417,918)	$0
Current year set-aside requirement	130,301	130,301
Current year offsets	-	-
Qualifying Disbursements	(16,327)	(125,829)
Total	($303,944)	$4,472

	June 30, 2008	
	Textbooks	**Capital Improvements**
Set-aside cash balance as of June 30, 2007	($303,944)	$4,472
Current year set-aside requirement	130,583	130,583
Current year offsets	-	-
Qualifying Disbursements	(16,503)	(352,047)
Total	($189,864)	($216,992)

The School District has qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement of future fiscal years. Although the School District had qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future fiscal years. This negative balance is therefore not presented as being carried forward to future fiscal years. There is a reserve balance for the set-asides at the end of fiscal year 2008 of $4,472.

11. ACCOUNTABILITY AND COMPLIANCE

A. Accountability

As of June 30, 2008 one fund had a deficit balance. This deficit was caused by the reclassification of a capital lease payment from the Debt Service Fund to the Permanent Improvement Fund. The district entered into a capital lease agreement in 2004 and has paid the lease payments from the Debt Service Fund. This deficit balance will be eliminated by transferring the future revenues to the Permanent Improvement Fund. The Permanent Improvement Fund had a deficit balance of $120,179.

B. 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, 2007 and 2008, 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.

June 30, 2007

Fund #	Fund Name	Total Expenditures and Encumbrances	Total Appropriations	Variance
001	General	$7,255,089	$7,115,537	($139,552)
003	Permanent Improvement	140,623	10,600	(130,023)
006	Food Service	256,851	247,785	(9,066)
300	District Managed Activities	82,022	78,600	(3,422)
432	Management Information Systems	48,022	47,500	(522)

June 30, 2008

Fund #	Fund Name	Total Expenditures and Encumbrances	Total Appropriations	Variance
003	Permanent Improvement	$425,128	$308,000	($117,128)
590	Title II-A	44,645	44,000	(645)

The District paid for a Project Facilities capital lease out the debt service fund instead of the capital projects fund in an annual amount of $125,000, which is in violation of Section 5705.10 of the Ohio Revised Code.

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.

CANTER & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

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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 Street
Leetonia, Ohio 44431

To the Board of Education:

We have audited the financial statements of the Leetonia Exempted Village School District, Columbiana County, Ohio (the District) as of and for the years ended June 30, 2007 and 2008, and have issued our report thereon dated October 15, 2008 wherein we noted the District's financial statements did not present fairly the financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States. 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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings as items 2007-002 and 2008-002 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2007-001, 2007-002, 2008-001 and 2008-002.

We noted certain matters that we reported to management of the District, in a separate letter dated October 15, 2008.

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.

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

Canter & Co

Canter & Company
Youngstown, Ohio
October 15, 2008

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2007

SCHEDULE OF FINDINGS

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding # 2007-001

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

Ohio Administrative Code Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares it 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 # 2007-002

Ohio Revised Code Section 5705.10 provides that distributing revenue derived from tax levies, proceeds from sale of bond issue, and proceeds from sale of permanent improvement must be paid into the proper fund and expended for the proper purpose.

- All revenue derived from the following must be paid into the general fund:
  - the general levy for current expense within the ten-mill limitation,
  - any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from
  - sources other than the general property tax, unless its use for a particular purpose is prescribed by law
- All revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.
- All revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The District paid for a capital lease of $125,000 annual from the Debt Service Fund. This lease should be paid for from the Capital Projects Fund.

We recommend the District pay for the lease from the Capital Projects Fund.

OFFICIALS RESPONSE:

Agree.

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2008

SCHEDULE OF FINDINGS

FINDING RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS

Finding # 2008-001

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

Ohio Administrative Code Section 117-2-03 (B), requires the School District to prepare its annual financial report in accordance with generally accepted accounting principles. However, the School District prepares it 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 # 2008-002

Ohio Revised Code Section 5705.10 provides that distributing revenue derived from tax levies, proceeds from sale of bond issue, and proceeds from sale of permanent improvement must be paid into the proper fund and expended for the proper purpose.

- All revenue derived from the following must be paid into the general fund:
    - the general levy for current expense within the ten-mill limitation,
    - any general levy for current expense authorized by vote in excess of the ten-mill limitation, and from
    - sources other than the general property tax, unless its use for a particular purpose is prescribed by law
- All revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made.
- All revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose.

Money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The District paid for a capital lease of $125,000 annual from the Debt Service Fund. This lease should be paid for from the Capital Projects Fund.

We recommend the District pay for the lease from the Capital Projects Fund.

OFFICIALS RESPONSE:

Agree.

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT
COLUMBIANA COUNTY
JUNE 30, 2007 and 2008

SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number	Finding Summary	
2005-001	Ohio Administrative Code Section 117-2-03, failure to report on a GAAP Basis	This finding was re-issued as finding #2007-001
2006-001	Ohio Administrative Code Section 117-2-03, failure to report on a GAAP Basis	This finding was re-issued as finding #2008-001

LEETONIA EVSD RESPONSE TO 2007/2008 AUDIT FINDING #2007-001/#2008-001:

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 2007 and 2008 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.

Mary Taylor, CPA
Auditor of State

LEETONIA EXEMPTED VILLAGE SCHOOL DISTRICT

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2008

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