



Dave Yost • Auditor of State

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

Village of Leetonia
Columbiana County
300 East Main Street
Leetonia, Ohio 44431

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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

Dave Yost
Auditor of State

April 20, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Leetonia
Columbiana County
300 East Main Street
Leetonia, Ohio 44431

To the Village Council:

We have audited the accompanying financial statements of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserve for encumbrances as of December 31, 2010 of the Village of Leetonia, Columbiana County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1, during 2011 the Village of Leetonia adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

April 20, 2012

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>				<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Other Local Taxes	\$47,090	\$32,678			\$79,768
Municipal Income Tax		533,603			533,603
Intergovernmental	63,677	254,100	\$391,613		709,390
Charges for Service	63,950	115,576		\$105	179,631
Fines, Licenses and Permits	22,242	1,195			23,437
Earnings on Investments	1,496	431		73	2,000
Miscellaneous	14,730	27,891	1,000		43,621
	<u>213,185</u>	<u>965,474</u>	<u>392,613</u>	<u>178</u>	<u>1,571,450</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	388,512	123,141			511,653
Public Health Services	2,247	46,132			48,379
Leisure Time Activities	4,144	15,066			19,210
Basic Utility Services	0	22,000			22,000
Transportation	0	148,851			148,851
General Government	145,415	32,232			177,647
Capital Outlay	0	172,345	404,011		576,356
Debt Service:					
Redemption of Principal	7,675	70,375			78,050
Interest and Other Fiscal Charges	825	6,976			7,801
	<u>548,818</u>	<u>637,118</u>	<u>404,011</u>	<u>0</u>	<u>1,589,947</u>
Total Receipts Over/(Under) Disbursements	<u>(335,633)</u>	<u>328,356</u>	<u>(11,398)</u>	<u>178</u>	<u>(18,497)</u>
Other Financing Receipts / (Disbursements):					
Sale of Notes		60,960			60,960
Transfers-In	375,000	102,196	22,644		499,840
Transfers-Out	(2,202)	(475,575)	(11,639)		(489,416)
Advances-In	38,274	20,954	40,976		100,204
Advances-Out	(54,930)	(7,533)	(37,741)		(100,204)
	<u>356,142</u>	<u>(298,998)</u>	<u>14,240</u>	<u>0</u>	<u>71,384</u>
Net Change in Fund Cash Balances	20,509	29,358	2,842	178	52,887
Fund Cash Balances, January 1	52,876	276,952	9,100	59,747	398,675
Fund Cash Balance, December 31					
Restricted		206,412	11,942	59,925	278,279
Committed		99,898			99,898
Unassigned (Deficit)	73,385				73,385
Fund Cash Balances, December 31	<u>\$73,385</u>	<u>\$306,310</u>	<u>\$11,942</u>	<u>\$59,925</u>	<u>\$451,562</u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$834,299		\$834,299
Fines, Licenses and Permits		\$12,352	
Miscellaneous	23,206		23,206
	<u>857,505</u>	<u>12,352</u>	<u>869,857</u>
Operating Cash Disbursements:			
Personal Services	145,215		145,215
Employee Fringe Benefits	47,229		47,229
Contractual Services	272,725		272,725
Supplies and Materials	63,526		63,526
Other	4,666	12,215	16,881
	<u>533,361</u>	<u>12,215</u>	<u>545,576</u>
Operating Income/(Loss)	<u>324,144</u>	<u>137</u>	<u>324,281</u>
Non-Operating Cash Disbursements:			
Capital Outlay	(4,046)		(4,046)
Redemption of Principal	(150,304)		(150,304)
Interest and Other Fiscal Charges	(54,600)		(54,600)
	<u>(208,950)</u>	<u>0</u>	<u>(208,950)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	115,194	137	115,331
Transfers-In	33,239		33,239
Transfers-Out	(43,669)		(43,669)
Advances-In	7,000		7,000
Advances-Out	(7,000)		(7,000)
Net Receipts Over/(Under) Disbursements	104,764	137	104,901
Fund Cash Balances, January 1	<u>232,736</u>	<u>379</u>	<u>233,115</u>
Fund Cash Balances, December 31	<u>\$337,500</u>	<u>\$516</u>	<u>338,016</u>

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

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Other Local Taxes	\$46,283	\$33,184			\$79,467
Municipal Income Tax		466,174			466,174
Intergovernmental	68,638	206,386	\$58,701		333,725
Charges for Services	53,311	110,557		\$190	164,058
Fines, Licenses and Permits	11,009	1,222			12,231
Earnings on Investments	3,091	858		46	3,995
Miscellaneous	8,144	8,818			16,962
Total Cash Receipts	190,476	827,199	58,701	236	1,076,612
Cash Disbursements:					
Current:					
Security of Persons and Property	426,522	81,716			508,238
Public Health Services		49,231		60	49,291
Leisure Time Activities	9,804	3,524			13,328
Transportation		177,213			177,213
General Government	153,896	36,269			190,165
Capital Outlay	1,370	116,948	64,786		183,104
Debt Service:					
Redemption of Principal	7,675	38,575			46,250
Interest and Other Fiscal Charges	1,176	8,422			9,598
Total Cash Disbursements	600,443	511,898	64,786	60	1,177,187
Total Receipts Over/(Under) Disbursements	(409,967)	315,301	(6,085)	176	(100,575)
Other Financing Receipts / (Disbursements):					
Transfers-In	377,703	100,027	5,000		482,730
Transfers-Out	(2,730)	(480,000)			(482,730)
Advances-In	4,270	4,270			8,540
Advances-Out	(4,270)	(4,270)			(8,540)
Total Other Financing Receipts / (Disbursements)	374,973	(379,973)	5,000	0	0
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(34,994)	(64,672)	(1,085)	176	(100,575)
Fund Cash Balances, January 1 as restated (See note 9)	87,870	341,624	10,185	59,571	499,250
Fund Cash Balances, December 31	\$52,876	\$276,952	\$9,100	\$59,747	\$398,675

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$795,385		\$795,385
Fines, Licenses and Permits		\$12,289	
Miscellaneous	1,774		1,774
	<u>797,159</u>	<u>12,289</u>	<u>809,448</u>
Total Operating Cash Receipts			
Operating Cash Disbursements:			
Personal Services	127,841		127,841
Employee Fringe Benefits	47,899		47,899
Contractual Services	262,334		262,334
Supplies and Materials	62,219		62,219
Other	3,895	11,910	15,805
	<u>504,188</u>	<u>11,910</u>	<u>516,098</u>
Total Operating Cash Disbursements			
Operating Income/(Loss)	<u>292,971</u>	<u>379</u>	<u>293,350</u>
Non-Operating Cash Receipts:			
Miscellaneous Receipts	3,179		3,179
	<u>3,179</u>	<u>0</u>	<u>3,179</u>
Total Non-Operating Cash Receipts			
Non-Operating Cash Disbursements:			
Capital Outlay	(12,948)		(12,948)
Redemption of Principal	(157,316)		(157,316)
Interest and Other Fiscal Charges	(63,055)		(63,055)
	<u>(233,319)</u>	<u>0</u>	<u>(233,319)</u>
Total Non-Operating Cash Disbursements			
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	62,831	379	529,848
Transfers-In	24,003		24,003
Transfers-Out	<u>(24,003)</u>		<u>(24,003)</u>
Net Receipts Over/(Under) Disbursements	62,831	379	529,848
Fund Cash Balances, January 1	<u>169,905</u>	<u>0</u>	<u>169,905</u>
Fund Cash Balances, December 31	<u>\$232,736</u>	<u>\$379</u>	<u>\$233,115</u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Leetonia, Columbiana County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides water and sewer utilities, park operations, police, fire and EMS services. The Village appropriates general fund money to support a volunteer fire department.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values certificates of deposit at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Income Tax Fund – This fund receives income tax money withheld from businesses and individuals.

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

East High Bridge Fund – This fund receives money from the Ohio Public Works Commission to repair the bridge.

State Street Sewer Fund – This fund receives money from the Ohio Public Works Commission to install new sewer lines in the street.

Water Improvement Phase 5 – This fund receives charges for services from residents to cover water improvement costs.

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

M. Wilderson Trust – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

5. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Enterprise Debt Service Fund - This fund receives charges for services from residents to cover debt payments.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs.

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government. The Village's agency fund account for Mayor's court fines and fees.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

The Village 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 December 31 was as follows:

	2011	2010
Demand deposits	\$675,341	\$516,222
Certificates of deposit	77,856	77,800
Other time deposits (savings and NOW accounts)	36,381	37,768
Total deposits	789,578	631,790

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; or collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts

	Budgeted Receipts	Actual Receipts	Variance
General	\$600,233	\$588,185	(\$12,048)
Special Revenue	1,000,136	1,128,630	128,494
Capital Projects	526,291	415,257	(111,034)
Enterprise	842,511	890,744	48,233
Permanent	296	178	(118)
Total	\$2,969,467	\$3,022,994	\$53,527

2011 Budgeted vs. Actual Budgetary Basis Expenditures

	Appropriation Authority	Budgetary Expenditures	Variance
General	\$605,525	\$551,020	\$54,505
Special Revenue	1,236,417	1,112,693	123,724
Capital Projects	517,993	415,650	102,343
Enterprise	987,649	785,980	201,669
Permanent	1,300	0	1,300
Total	\$3,348,884	\$2,865,343	\$483,541

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$568,178	\$568,179	\$1
Special Revenue	926,226	927,226	1,000
Capital Projects	63,701	63,701	0
Enterprise	823,823	824,341	518
Permanent	236	236	0
Total	\$2,382,164	\$2,383,683	\$1,519

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$691,983	\$603,173	\$88,810
Special Revenue	1,135,544	991,898	143,646
Capital Projects	68,886	64,786	4,100
Enterprise	928,075	761,510	166,565
Permanent	1,300	60	1,240
Total	\$2,825,788	\$2,421,427	\$404,361

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.5 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - Sewer Project	554,887	7.89%
OWDA - Salem Leetonia Waterline Project	441,822	1.000%
1995 Pierce Fire Truck Note	45,600	4.875%
2006 Ambulance Note	33,200	5.450%
2008 Crown Victoria Note	3,400	4.750%
2009 Crown Victoria Note	10,278	4.320%
1998 International Truck Note	60,960	5.000%
Lease - Phone System	2,642	0.000%
Lease - Xerox Copier	2,937	0.000%
Lease - Postage Meter & Folder	2,374	0.000%
Lease - Xerox Copier - Water Plant	5,355	0.000%
Total	<u>\$1,163,455</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant construction, maintenance, and operation project and engineering plans for the water supply system which the Ohio Environmental Protection Agency mandated. Water and sewer receipts collateralize the loan. The Village has agreed to set water and sewer rates sufficient to cover OWDA debt requirements.

The Village has agreed to set water and sewer rates sufficient to cover the 1998 International Truck note debt service requirements.

All other debt obligations are collateralized by the Village's taxing authority and are anticipations of collections of current revenue in accordance with Ohio Revised Code Section 133.10 (B).

Amortization of the above debt, including interest, is scheduled as follows:

Year ending December 31:	<u>OWDA Loan</u>	<u>1995 Pierce Fire Truck</u>	<u>2006 Ambulance</u>	<u>2008 Crown Victoria</u>
2012	\$197,524	\$13,660	\$10,599	\$3,564
2013	207,035	13,090	10,135	
2014	207,034	12,527	9,676	
2015	113,028	11,964	9,217	
2016	19,020			
2017-2021	95,103			
2022-2026	95,102			
2027-2031	95,103			
2032-2036	95,102			
2037-2038	38,041			
Total	<u>\$1,162,092</u>	<u>\$51,241</u>	<u>\$39,627</u>	<u>\$3,564</u>

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

6. DEBT – (Continued)

2013	4,443	8,741		
2014	1,766	8,427		
2015		8,112		
2016		7,802		
2017-2021		33,276		
Total	<u>\$10,841</u>	<u>\$75,421</u>	<u>\$2,642</u>	<u>\$2,937</u>

Year ending December 31:	Lease - Postage Meter & Folder	Lease - 2010 Copier - Water Plant
2012	2,376	1,428
2013		1,428
2014		1,428
2015		1,071
Total	<u>\$2,376</u>	<u>\$5,355</u>

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OP&F participants contributed 10% of their wages. For 2011 and 2010, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2011 and 2010, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

9. RESTATEMENT OF FUND BALANCES

The prior year report accounted for outstanding checks as a reconciling item. These checks were voided and subsequently added back to the original fund. The restatement had the following effect on fund balance at January 1, 2010.

	<u>General</u>	<u>Special Revenue</u>
Fund Balance, January 1, 2010	\$87,724	\$340,795
Outstanding checks added back	146	829
Fund Balance, January 1, 2010	<u>\$87,870</u>	<u>\$341,624</u>

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Leetonia
Columbiana County
300 East Main Street
Leetonia, Ohio 44431

To the Village Council:

We have audited the financial statements of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated April 20, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(A) mandates the Auditor of State to audit Ohio governments. For the period ending June 30, 2011, we also noted the Village adopted Governmental Accounting Standards Board Statement No. 54. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of finding as item 2011-01.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated April 20, 2012.

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

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

April 20, 2012

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-01

Noncompliance - Finding for Recovery

During our review of the Leetonia Water Lab receipts reported within the Sample Submission Reports (SSR Report) and Chain of Custody reports from January 1, 2010 through February 29, 2012 the Lab Assistant, Juanita Grant, collected money for tests to be performed on water samples brought into the Water Lab. We noted 95 instances in which money was collected by Juanita Grant and not remitted to the Village for deposit totaled \$1,700.

In accordance with the forgoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies collected, but not accounted for is hereby issued against Juanita Grant, in the amount of \$1,700, and in favor of the Village's Enterprise Fund.

On February 26, 2012, \$150 was repaid by Juanita Grant. In addition, on April 27, 2012, \$1,050 was repaid by Juanita Grant. Finally, on May 4, 2012, \$500 was repaid by Juanita Grant. This finding was repaid in full by Juanita Grant and the monies were deposited into the Village's Enterprise fund. This finding has been completely repaid under audit.

Officials' Response:

The Village of Leetonia agrees and supports the finding for recovery against Mrs. Grant. We immediately contacted the State Auditor's office when an irregularity in the Lab receipts was discovered. We have taken steps and created controls to ensure this type of activity will not happen in the future. In addition to Mrs. Grant no longer being employed by the Village of Leetonia, we are no longer accepting cash at the Lab. Reconciliation reports are being performed to ensure any and all tests are being properly recorded in the Village's Water Lab Fund. The Village's Management and Officials are dedicated to ensure public monies are being properly receipted, expended and accounted for.

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VILLAGE OF LEETONIA

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
JULY 03, 2012