



Mary Taylor, CPA
Auditor of State

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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Mary Taylor, CPA

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 a February 2, 2005 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 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

January 23, 2007

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Mary Taylor, CPA

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, 2005 and 2004. 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(B) and 115.56 mandate 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements.

The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004 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, 2005 and 2004, or its changes in financial position of cash flows of its proprietary funds 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 of the Village of Leetonia, Columbiana County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2007, 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.



Mary Taylor, CPA
Auditor of State

January 23, 2007

**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, 2005**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property Tax and Other Local Taxes	\$48,573	\$35,350			\$83,923
Municipal Income Tax		490,474			490,474
Intergovernmental Receipts	70,883	250,310			321,193
Charges for Services	56,218	28,830		\$71	85,119
Fines, Licenses, and Permits	27,730	2,868			30,598
Earnings on Investments	9,181	2,961		60	12,202
Miscellaneous	9,606	1,632			11,238
Total Cash Receipts	222,191	812,425	0	131	1,034,747
Cash Disbursements:					
Current:					
Security of Persons and Property	367,586	49,695			417,281
Public Health Services		32,783		70	32,853
Leisure Time Activities	3,055	1,989			5,044
Basic Utility Services		2,376			2,376
Transportation		138,724			138,724
General Government	114,877	26,052			140,929
Debt Service:					
Principal Payments	4,000	29,869			33,869
Interest Payments	578	5,736			6,314
Capital Outlay	114,000	145,008	825		259,833
Total Cash Disbursements	604,096	432,232	825	70	1,037,223
Total Receipts Over/(Under) Disbursements	(381,905)	380,193	(825)	61	(2,476)
Other Financing Receipts and (Disbursements):					
Sale of Notes	114,000	32,216			146,216
Sale of Fixed Assets	555	500			1,055
Transfers-In	283,796	116,753			400,549
Advances-In	13,713	17,994			31,707
Transfers-Out	(190)	(428,499)			(428,689)
Advances-Out	(17,994)	(20,259)			(38,253)
Total Other Financing Receipts/(Disbursements)	393,880	(281,295)	0	0	112,585
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,975	98,898	(825)	61	110,109
Fund Cash Balances, January 1 - (Restated- See Note 9)	69,839	265,755	7,500	58,570	401,664
Fund Cash Balances, December 31	\$81,814	\$364,653	\$6,675	\$58,631	\$511,773

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$565,534		\$565,534
Fines, Licenses, and Permits		\$27,946	27,946
Total Operating Cash Receipts	<u>565,534</u>	<u>27,946</u>	<u>593,480</u>
Operating Cash Disbursements:			
Personal Services	127,996		127,996
Fringe Benefits	35,109		35,109
Contractual Services	111,553		111,553
Supplies and Materials	62,117		62,117
Other	3,773	27,946	31,719
Total Operating Cash Disbursements	<u>340,548</u>	<u>27,946</u>	<u>368,494</u>
Operating Income/(Loss)	<u>224,986</u>	<u>0</u>	<u>224,986</u>
Non-Operating Cash Receipts:			
Intergovernmental Receipts	5,176		5,176
Proceeds from Notes	9,691		9,691
Sale of Fixed Assets	10,100		10,100
Total Non-Operating Cash Receipts	<u>24,967</u>	<u>0</u>	<u>24,967</u>
Non-Operating Cash Disbursements:			
Capital Outlay	60,193		60,193
Redemption of Principal	97,963		97,963
Interest Payments	95,319		95,319
Total Non-Operating Cash Disbursements	<u>253,475</u>	<u>0</u>	<u>253,475</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(3,522)	0	(3,522)
Transfers-In	37,740		37,740
Advances-In	6,546		6,546
Transfers-Out	(9,600)		(9,600)
Net Receipts Over/(Under) Disbursements	31,164	0	31,164
Fund Cash Balances, January 1 - (Restated- See Note 9)	<u>187,766</u>		<u>187,766</u>
Fund Cash Balances, December 31	<u>\$218,930</u>	<u>\$0</u>	<u>\$218,930</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 AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$42,217	\$34,970			\$77,187
Municipal Income Tax		397,806			397,806
Intergovernmental Receipts	70,144	148,661			218,805
Charges for Services	53,014	10,829		\$1,975	65,818
Fines, Licenses, and Permits	34,585	3,267			37,852
Earnings on Investments	5,903	2,456		79	8,438
Miscellaneous	4,814	583			5,397
Total Cash Receipts	<u>210,677</u>	<u>598,572</u>		<u>2,054</u>	<u>811,303</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	324,733	18,851			343,584
Public Health Services		32,021			32,021
Leisure Time Activities	2,642	7,279			9,921
Basic Utility Services		16,134			16,134
Transportation		116,647			116,647
General Government	98,649	35,484			134,133
Debt Service:					
Principal Payments	4,000	23,471			27,471
Interest Payments	797	4,775			5,572
Capital Outlay		68,321	2,500		70,821
Total Cash Disbursements	<u>430,821</u>	<u>322,983</u>	<u>2,500</u>		<u>756,304</u>
Total Receipts Over/(Under) Disbursements	<u>(220,144)</u>	<u>275,589</u>	<u>(2,500)</u>	<u>2,054</u>	<u>54,999</u>
Other Financing Receipts and (Disbursements):					
Sale of Fixed Assets	625	500			1,125
Transfers-In	260,729	109,813	10,000		380,542
Advances-In		11,257			11,257
Transfers-Out	(85)	(357,595)	(32,292)		(389,972)
Advances-Out		(4,711)			(4,711)
Total Other Financing Receipts/(Disbursements)	<u>261,269</u>	<u>(240,736)</u>	<u>(22,292)</u>		<u>(1,759)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>41,125</u>	<u>34,853</u>	<u>(24,792)</u>	<u>2,054</u>	<u>53,240</u>
Fund Cash Balances, January 1	<u>28,714</u>	<u>226,056</u>	<u>32,292</u>	<u>51,085</u>	<u>338,147</u>
Fund Cash Balances, December 31	<u>\$69,839</u>	<u>\$260,909</u>	<u>\$7,500</u>	<u>\$53,139</u>	<u>\$391,387</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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Types	Fund Types		
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$565,526			\$565,526
Fines, Licenses, and Permits			\$42,828	\$42,828
Earnings on Investments		\$54		54
Total Operating Cash Receipts	<u>565,526</u>	<u>54</u>	<u>42,828</u>	<u>608,408</u>
Operating Cash Disbursements:				
Personal Services	151,973			151,973
Fringe Benefits	37,103			37,103
Contractual Services	129,136			129,136
Supplies and Materials	61,550	118		61,668
Other	4,746		42,828	47,574
Capital Outlay	121,712			121,712
Total Operating Cash Disbursements	<u>506,220</u>	<u>118</u>	<u>42,828</u>	<u>549,166</u>
Operating Income/(Loss)	<u>59,306</u>	<u>(64)</u>	<u>0</u>	<u>59,242</u>
Non-Operating Cash Receipts:				
Intergovernmental Receipts	3,305			3,305
Proceeds from Notes and Bonds				0
Other Non-Operating Receipts	2,769			2,769
Total Non-Operating Cash Receipts	<u>6,074</u>	<u>0</u>	<u>0</u>	<u>6,074</u>
Non-Operating Cash Disbursements:				
Redemption of Principal	91,720			91,720
Interest Payments	101,486			101,486
Total Non-Operating Cash Disbursements	<u>193,206</u>	<u>0</u>	<u>0</u>	<u>193,206</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(127,826)	(64)	0	(127,890)
Transfers-In	20,317			20,317
Advances-In	4,711			4,711
Transfers-Out	(10,887)			(10,887)
Advances-Out	(11,257)			(11,257)
Net Receipts Over/(Under) Disbursements	(124,942)	(64)	0	(125,006)
Fund Cash Balances, January 1	<u>312,708</u>	<u>10,341</u>	<u>0</u>	<u>323,049</u>
Fund Cash Balances, December 31	<u>\$187,766</u>	<u>\$10,277</u>	<u>\$0</u>	<u>\$198,043</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, 2005 AND 2004**

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 governs the Village. The Village provides water and sewer utilities, park operations, and police 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. Basis of Accounting

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. This basis 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 adequately disclose material matters the Auditor of State prescribes.

C. Cash and Investments

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

The Village values certificates of deposit and repurchase agreements 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 trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance, and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(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 capital project fund:

General Improvement Fund - This fund accounts for the local share of improvement projects.

4. Permanent Fund

This funds was classified as a Trust Fund through fiscal year 2004. The earnings on these funds can be used by the Village on its own programs. The Village had the following Permanent Fund:

Cemetery Endowment Fund – The earnings on this fund are used for the upkeep of the 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 a portion of water bill collections to pay back a loan from the Ohio Water Development Authority, the proceeds which were used to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

6. Fiduciary Funds (Trust and Agency Funds)

Trust funds account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the Village classifies the fund as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant fiduciary fund:

Mayor's Court Fund - This fund receives revenue from individuals for speeding and other offenses. The money in this fund is held by the Village and a portion of it is remitted to the Treasurer of State.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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 level of control, and appropriations may not exceed estimated resources. 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. 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.

G. 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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS – (Continued)

	2005	2004
Demand deposits	(\$14,112)	\$2,180
Certificates of deposit	55,200	55,100
Total deposits	41,088	57,280
Repurchase agreement	689,615	532,150
Total investments	689,615	532,150
Total deposits and investments	\$730,703	\$589,430

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and December 31, 2004 follows:

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$609,641	\$620,542	\$10,901
Special Revenue	923,598	961,894	38,296
Permanent	143	131	(12)
Enterprise	634,325	628,241	(6,084)
Total	\$2,167,707	\$2,210,808	\$43,101

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$670,472	\$604,286	\$66,186
Special Revenue	933,320	860,731	72,589
Capital Projects	7,500	825	6,675
Permanent	1,320	70	1,250
Enterprise	760,972	603,623	157,349
Total	\$2,373,584	\$2,069,535	\$304,049

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$476,574	\$472,031	(\$4,543)
Special Revenue	786,147	708,885	(77,262)
Capital Projects	10,000	10,000	0
Enterprise	618,485	591,917	(26,568)
Fiduciary	2,111	2,108	(3)
Total	\$1,893,317	\$1,784,941	(\$108,376)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$481,970	\$430,906	\$51,064
Special Revenue	755,561	680,578	74,983
Capital Projects	42,292	34,792	7,500
Enterprise	767,229	710,313	56,916
Fiduciary	2,320	118	2,202
Total	\$2,049,372	\$1,856,707	\$192,665

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Village Council adopts 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 State pays the Village amounts equaling these deductions. The Village includes these with Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half payment 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.

Property owners assess tangible personal property tax. They must file a list of tangible 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 the Village's behalf.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of one and a half 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, 2005 AND 2004
(Continued)**

6. DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,223,892	7.89%
Ohio Water Development Authority Loan	4,000	0.00%
1998 Fire Truck Note	51,000	5.15%
2002 Crown Victoria Note	8,000	5.30%
1999 International Dump Truck Note	20,000	5.15%
Washington Street Waterline Note	48,000	5.40%
Street Sweeper Lease/Purchase	10,179	3.87%
1995 Pierce Fire Truck Note	114,000	4.87%
2003 GMC Sierra Truck Note	9,691	3.85%
2005 Holland Tractor/Snowplow Note	25,951	0.00%
Total	<u>\$1,514,713</u>	

The Ohio Water Development Authority (OWDA) loans relate 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 service requirements.

The Village has agreed to set water rates sufficient to cover the Washington Street Waterline Project Note debt service requirements. The Village has agreed to set water and sewer rates sufficient to cover the 2003 GMC Sierra truck note debt service requirements. The Tractor/Snowplow Note is collateralized by the vehicle itself.

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, follows:

<u>Year ending December 31:</u>	<u>OWDA Loan</u>	<u>\$20,000 OWDA Loan</u>	<u>1998 Fire Truck Note</u>	<u>2002 Crown Victoria Note</u>
2006	\$177,121	\$2,000	\$18,976	\$4,371
2007	177,935	2,000	18,091	4,158
2008	178,813		17,219	
2009	179,161			
2010	180,783			
2011-2015	828,297			
Total	<u>\$1,722,110</u>	<u>\$4,000</u>	<u>\$54,286</u>	<u>\$8,529</u>

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

6. DEBT – (Continued)

<u>Year ending December 31:</u>	<u>1999 Dump Truck</u>	<u>Washington St. Waterline</u>	<u>Street Sweeper</u>	<u>1995 Pierce Fire Truck</u>
2006	\$5,900	\$10,374	\$5,387	\$16,893
2007	5,643	9,942	5,386	16,329
2008	5,385	9,510		15,778
2009	5,128	9,078		15,202
2010		8,646		14,639
2011-2015		8,215		64,748
Total	<u>\$22,056</u>	<u>\$55,765</u>	<u>\$10,773</u>	<u>\$143,589</u>

<u>Year ending December 31:</u>	<u>2003 Truck</u>	<u>2005 Tractor</u>
2006	\$3,607	\$10,739
2007	3,481	10,739
2008	3,356	4,473
2009		
2010		
2011-2015		
Total	<u>\$10,444</u>	<u>\$25,951</u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time 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 the plans' retirement benefits, including postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. OPERS members contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

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, 2005 AND 2004
(Continued)**

9. RESTATEMENT OF BEGINNING FUND BALANCES

For the year beginning January 1, 2005 the following funds were reclassified:

Fund Type	Fund Balance 12/31/2004	Reclassification 1/1/2005	Fund Balance
Non-Expendable Trust	\$58,570	(\$58,570)	\$0
Permanent		58,570	58,570
Expendable Trust	4,846	(4,846)	0
Special Revenue	260,909	4,846	265,755



Mary Taylor, CPA

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, 2005 and 2004, and have issued our report thereon dated January 23, 2007, 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 that the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated January 23, 2007, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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.

Village of Leetonia
Columbiana County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Village's management dated January 23, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and Village Council. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

January 23, 2007

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Ohio Revised Code Section 5705.41(D) provides that no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless the certificate of the fiscal officer is attached.	No	Not corrected. Will have a management letter citation for the improper certification of expenditures.



Mary Taylor, CPA
Auditor of State

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
MARCH 6, 2007