



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 E. Main St.
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 "Mary Taylor".

Mary Taylor, CPA
Auditor of State

December 23, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Leetonia
Columbiana County
300 E. Main St.
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, 2007 and 2006. 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.

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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position 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 and reserves for encumbrances of the Village of Leetonia, Columbiana County, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 December 23, 2008, 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

December 23, 2008

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Local Taxes	\$47,595	\$34,751			\$82,346
Municipal Income Tax		534,134			534,134
Intergovernmental	76,778	203,097			279,875
Charges for Services	54,682	88,358		\$220	143,260
Fines, Licenses and Permits	15,290	1,448			16,738
Earnings on Investments	17,184	4,024		186	21,394
Miscellaneous	8,822	3,552			12,374
Total Cash Receipts	220,351	869,364	0	406	1,090,121
Cash Disbursements:					
Current:					
Security of Persons and Property	429,766	73,144			502,910
Public Health Services		39,816		66	39,882
Leisure Time Activities	5,295	4,921			10,216
Transportation		181,088			181,088
General Government	141,428	28,823			170,251
Debt Service:					
Redemption of Principal	4,000	72,328			76,328
Interest and Fiscal Charges	363	12,731			13,094
Capital Outlay	25,578	144,126	10,159		179,863
Total Cash Disbursements	606,430	556,977	10,159	66	1,173,632
Total Receipts Over/(Under) Disbursements	(386,079)	312,387	(10,159)	340	(83,511)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes	17,000				17,000
Sale of Fixed Assets		1,003			1,003
Transfers-In	351,884	113,356	15,000		480,240
Transfers-Out	(14,840)	(465,400)			(480,240)
Advances-In	2,621	1,583			4,204
Advances-Out	(1,583)	(2,621)			(4,204)
Other Financing Sources	1,870	612			2,482
Total Other Financing Receipts / (Disbursements)	356,952	(351,467)	15,000	0	20,485
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(29,127)	(39,080)	4,841	340	(63,026)
Fund Cash Balances, January 1 (restated - See Note 9)	100,449	437,957	4,021	58,808	601,235
Fund Cash Balances, December 31	\$71,322	\$398,877	\$8,862	\$59,148	\$538,209
Reserve for Encumbrances, December 31	\$0	\$0	\$0	\$0	\$0

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
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007

	Proprietary	Fiduciary	Totals (Memorandum Only)
	Fund Types	Fund Types	
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$596,741		\$596,741
Fines, Licenses and Permits		\$14,544	14,544
Total Operating Cash Receipts	596,741	14,544	611,285
Operating Cash Disbursements:			
Personal Services	108,516		108,516
Employee Fringe Benefits	30,981		30,981
Contractual Services	122,899		122,899
Supplies and Materials	65,728		65,728
Other	3,758	14,544	18,302
Total Operating Cash Disbursements	331,882	14,544	346,426
Operating Income/(Loss)	264,859	0	264,859
Non-Operating Cash Receipts:			
Miscellaneous Receipts	719	10,000	10,719
Total Non-Operating Cash Receipts	719	10,000	10,719
Non-Operating Cash Disbursements:			
Capital Outlay	45,349		45,349
Redemption of Principal	115,191		115,191
Interest and Other Fiscal Charges	82,615		82,615
Total Non-Operating Cash Disbursements	243,155	0	243,155
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	22,423	10,000	32,423
Transfers-In	24,184		24,184
Transfers-Out	(24,184)		(24,184)
Net Receipts Over/(Under) Disbursements	22,423	10,000	32,423
Fund Cash Balances, January 1 (restated - See Note 9)	177,574	0	177,574
Fund Cash Balances, December 31	\$199,997	\$10,000	\$209,997

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
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Permanent	
Cash Receipts:					
Property and Local Taxes	\$49,193	\$35,570			\$84,763
Municipal Income Tax		503,223			503,223
Intergovernmental	110,762	141,710			252,472
Charges for Services	54,064	59,138		\$100	113,302
Fines, Licenses and Permits	25,465	2,678			28,143
Earnings on Investments	16,761	3,831		184	20,776
Miscellaneous	13,089	15,102			28,191
Total Cash Receipts	269,334	761,252	0	284	1,030,870
Cash Disbursements:					
Current:					
Security of Persons and Property	407,384	162,095			569,479
Public Health Services		37,918		107	38,025
Leisure Time Activities	13,208	3,312			16,520
Transportation		149,836			149,836
General Government	148,055	29,109			177,164
Debt Service:					
Redemption of Principal	4,000	54,883			58,883
Interest and Fiscal Charges	372	9,200			9,572
Capital Outlay	3,397	62,123	2,654		68,174
Total Cash Disbursements	576,416	508,476	2,654	107	1,087,653
Total Receipts Over/(Under) Disbursements	(307,082)	252,776	(2,654)	177	(56,783)
Other Financing Receipts / (Disbursements):					
Proceeds from Sale of Public Debt:					
Sale of Notes		143,000			143,000
Sale of Fixed Assets	125				125
Transfers-In	320,000	113,451			433,451
Transfers-Out	(272)	(433,179)			(433,451)
Advances-In	38,175	34,932			73,107
Advances-Out	(34,932)	(38,175)			(73,107)
Other Financing Sources	2,216	362			2,578
Total Other Financing Receipts / (Disbursements)	325,312	(179,609)	0	0	145,703
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	18,230	73,167	(2,654)	177	88,920
Fund Cash Balances, January 1 (restated - See Note 9)	81,974	364,653	6,675	58,631	511,933
Fund Cash Balances, December 31 (restated - See Note 9)	\$100,204	\$437,820	\$4,021	\$58,808	\$600,853

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
PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

	Proprietary Fund Types	Fiduciary Fund Types	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$592,994		\$592,994
Fines, Licenses and Permits		\$30,093	30,093
Total Operating Cash Receipts	592,994	30,093	623,087
Operating Cash Disbursements:			
Personal Services	137,916		137,916
Employee Fringe Benefits	34,383		34,383
Contractual Services	126,312		126,312
Supplies and Materials	76,066		76,066
Other	2,719	30,093	32,812
Total Operating Cash Disbursements	377,396	30,093	407,489
Operating Income/(Loss)	215,598	0	215,598
Non-Operating Cash Receipts:			
Miscellaneous Receipts	1,063		1,063
Total Non-Operating Cash Receipts	1,063	0	1,063
Non-Operating Cash Disbursements:			
Capital Outlay	55,240		55,240
Redemption of Principal	113,927		113,927
Interest and Other Fiscal Charges	89,123		89,123
Total Non-Operating Cash Disbursements	258,290	0	258,290
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(41,629)	0	(41,629)
Transfers-In	9,600		9,600
Transfers-Out	(9,600)		(9,600)
Net Receipts Over/(Under) Disbursements	(41,629)	0	(41,629)
Fund Cash Balances, January 1	218,930	0	218,930
Fund Cash Balances, December 31 (restated - See Note 9)	\$177,301	\$0	\$177,301

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, 2007 AND 2006**

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, and police 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. Cash 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 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 private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fire Department EMS Fund – This fund receives charges for services rendered in providing EMS services.

3. Capital Project Funds

This fund accounts 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 fund:

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

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 funds:

E. 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.

Kunkle 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.

Sewer Debt Retirement Fund - This fund receives charges for services from residents to repay the OWDA loan.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

6. Fiduciary Funds

Fiduciary funds include agency funds.

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 funds 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. The Village did not encumber all commitments as required by Ohio Law.

A summary of 2007 and 2006 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.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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:

	2007	2006
Demand deposits	(\$14,519)	(\$41,866)
Certificates of deposit	80,705	76,236
Total deposits	66,186	34,370
Repurchase agreement	682,020	743,784
Total investments	682,020	743,784
Total deposits and investments	\$748,206	\$778,154

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, 2007 and 2006 follows:

2007 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$597,538	\$591,105	(\$6,433)
Special Revenue	990,436	984,335	(6,101)
Capital Projects	15,000	15,000	0
Permanent	422	406	(16)
Enterprise	623,032	621,644	(1,388)
Total	\$2,226,428	\$2,212,490	(\$13,938)

2007 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$685,323	\$621,270	\$64,053
Special Revenue	1,164,972	1,022,378	142,594
Capital Projects	19,021	10,158	8,863
Permanent	1,300	66	1,234
Enterprise	735,879	599,221	136,658
Total	\$2,606,495	\$2,253,093	\$353,402

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

3. BUDGETARY ACTIVITY - (Continued)

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$626,128	\$591,675	(\$34,453)
Special Revenue	1,067,659	1,018,064	(49,595)
Capital Projects	0	0	0
Permanent	176	284	108
Enterprise	606,290	603,657	(2,633)
Total	\$2,300,253	\$2,213,680	(\$86,573)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$664,274	\$576,687	\$87,587
Special Revenue	1,064,024	941,655	122,369
Capital Projects	6,675	2,654	4,021
Permanent	1,300	107	1,193
Enterprise	777,841	645,288	132,553
Total	\$2,514,114	\$2,166,391	\$347,723

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 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, 2007 AND 2006
(Continued)**

6. DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan - Sewer Project	\$1,033,779	7.89%
Washington Street Waterline Note	32,000	5.40%
2005 Holland Tractor/Snowplow Note	4,474	0.00%
1995 Pierce Firetruck Note	91,200	4.875%
2003 GMC Sierra Truck Note	3,231	3.85%
2006 Ambulance Note	74,700	5.45%
2006 Chevy Truck & GMC Truck Note	54,000	5.50%
2007 Crown Victoria Note	17,000	4.75%
Lease - Phone System	16,734	0.00%
Lease - Xerox Copier	18,601	0.00%
Lease - Postate Meter & Folder	15,048	0.00%
Total	<u>\$1,360,767</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).

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. DEBT - (Continued)

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

Year ending December 31:	OWDA Loan	Washington Street Waterline	2005 Holland Tractor & Snowplow	1995 Pierce Fire Truck
2008	\$178,813	\$9,510	\$4,474	\$15,778
2009	179,761	9,078		15,202
2010	180,783	8,647		14,639
2011	181,886	8,214		14,075
2012	183,076			13,518
2013 - 2015	463,335			36,875
Total	<u>\$1,367,654</u>	<u>\$35,449</u>	<u>\$4,474</u>	<u>\$110,087</u>

Year ending December 31:	2003 GMC Sierra Truck	2006 Ambulance	2006 Chevy & GMC Truck	2007 Crown Victoria
2008	\$3,356	\$12,323	\$9,019	\$4,180
2009		11,853	8,677	4,014
2010		11,395	8,342	3,851
2011		10,936	8,007	3,687
2012		10,484	7,678	3,523
2013 - 2016		45,741	27,429	
Total	<u>\$3,356</u>	<u>\$102,732</u>	<u>\$69,152</u>	<u>\$19,255</u>

Year ending December 31:	Lease - Phone System	Lease - Xerox Copier	Lease - Postage Meter & Folder
2008	\$3,523	\$3,916	\$3,168
2009	3,523	3,916	3,168
2010	3,523	3,916	3,168
2011	3,523	3,916	3,168
2012	2,642	2,937	2,376
Total	<u>\$16,734</u>	<u>\$18,601</u>	<u>\$15,048</u>

Contrary to Ohio law, the Village did not encumber all commitments required by Ohio law.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

7. RETIREMENT SYSTEMS

The Village's full-time Police Officers belong to the Ohio 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 2007 and 2006, OP&F participants contributed 10% of their wages. For 2007 and 2006, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2007 and 2006, OPERS local members contributed 9.5 and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85 and 13.7%, respectively, of participants' gross salaries. For 2007 and 2006, OPERS law enforcement members contributed 10.1% of their gross salaries and the Village contributed an amount equaling 16.93 and 17.17%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

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.

9. RESTATEMENT OF BEGINNING FUND BALANCES

In fiscal year 2006 and 2007 checks were voided that were written in the previous fiscal year. The adjustments made to void these expenditures had the following effect on fund balances:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Enterprise Funds</u>
Balance December 31, 2006	\$100,204	\$437,819	\$177,299
Adjustment	245	138	275
Balance January 1, 2007	\$100,449	\$437,957	\$177,574

	<u>General Fund</u>
Balance December 31, 2005	\$81,814
Adjustment	160
Balance January 1, 2006	\$81,974

10. COMPLIANCE

Contrary to Ohio law, expenditures out of the Court Computerization Fund were not for purposes allowable as outlined by Ohio Revised Code 1907.261.



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 E. Main St.
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, 2007 and 2006, and have issued our report thereon dated December 23, 2008, 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 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. 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 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 expressing our opinion on the financial statements, but not to opine 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.

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 a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

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 material weaknesses. However, we believe finding number 2007-001 is also a material weakness.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2007-001 and 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated December 31, 2008.

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 and Village Council. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

December 23, 2008

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006

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

FINDING NUMBER 2007-001

Material Noncompliance Citation / Significant Deficiency / Material Weakness

Ohio Revised Code Section 1907.261 allows for courts to collect a fee to computerize the office of the clerk of court. The fee is not to exceed ten dollars. The revised code states "the treasurer shall place the funds from the fees in a separate fund to be disbursed..... in an amount no greater than the actual cost to the court of procuring and maintaining computer systems for the office of the clerk of the court".

Per Auditor of State bulletins 97-019 and 2005-003 the following areas are considered appropriate expenditures for computerization purposes: computer space; computer electrical; computer air-conditioning; computer furniture; computer hardware; computer software; subscriptions to computer services; staff expenses related to operating the computer system, including fringe benefits; computer supplies; training expenses; maintenance equipment as well as computer needs studies.

The Clerk of the Mayor's Court prepares records manually. Therefore all expenditures out of the Court Computerization Fund (2903) were not for purposes allowable as listed above. The financial statements and accounting records have been adjusted to record the expenditures in the General fund instead of the Computerization fund.

Official's Response: Village management was unaware of these requirements and will correct in the future.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Rev. Code Section 5705.41(D) states, in part, that no orders or contracts involving the expenditure of money are to be made unless a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certification shall be null and void and no warrant shall be issued in payment of any amount.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. Then and Now Certificate: If the fiscal officer can certify both at the time that the contract or order was made (then) at the time that the fiscal officer is completing the certification (now), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has 30 days from the receipt of the (then and now) certificate to approve payment by resolution or ordinance.

**FINDING NUMBER 2007-002
(Continued)**

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

2. Blanket Certificate: Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate: The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal office for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Village did not always certify funds at the time of the commitment. In 2007 and 2006, we noted 26 out of the 30 expenditures tested each year (87%) were not properly certified by the fiscal officer. Incurring obligations prior to the fiscal officer's certification could result in the Village spending more than appropriated.

Unless the exceptions noted above are used, prior certification in the form of purchase orders or "blanket" purchase orders is not only required by statute but is key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the village. When prior certification is not possible, (then and now) certification should be used.

We recommend the Village certify purchases to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code in order to reduce the available appropriation.

Official's Response: In the future the Village will attempt to certify funds prior to purchases or will utilize the "then and now" certificates as well as the use of blanket certificates.



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
JANUARY 27, 2009