



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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REPORT OF INDEPENDENT ACCOUNTANTS

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 (the Village) as of and for the year ended December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 as of December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the financial statements of the Village, taken as a whole. The accompanying schedule of federal awards expenditures is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Council, federal awarding agencies, pass-through entities, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

Jim Petro
Auditor of State

June 6, 2002

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Cash Receipts:					
Property Tax and Other Local Taxes	\$39,214	\$423,006			\$462,220
Intergovernmental Receipts	53,208	70,065	\$636,321		759,594
Charges for Services	50,215	13,473		\$1,202	64,890
Fines, Licenses, and Permits	18,372	1,620			19,992
Earnings on Investments	47,611	2,845		63	50,519
Miscellaneous	15,257	2,311			17,568
Total Cash Receipts	223,877	513,320	636,321	1,265	1,374,783
Cash Disbursements:					
Current:					
Security of Persons and Property	370,280	19,152			389,432
Public Health Services		41,662			41,662
Leisure Time Activities	18,833				18,833
Transportation		170,104			170,104
General Government	123,462	21,625			145,087
Debt Service:					
Principal Payments	9,000	21,000	142,549		172,549
Interest Payments	933	7,344	531		8,808
Capital Outlay	4,725	8,144	828,947		841,816
Total Cash Disbursements	527,233	289,031	972,027		1,788,291
Total Receipts Over/(Under) Disbursements	(303,356)	224,289	(335,706)	1,265	(413,508)
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes			142,549		142,549
Transfers-In	198,000	151,200	35,281		384,481
Transfers-Out		(384,481)			(384,481)
Other Financing Sources			136,751		136,751
Total Other Financing Receipts/(Disbursements)	198,000	(233,281)	314,581		279,300
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(105,356)	(8,992)	(21,125)	1,265	(134,208)
Fund Cash Balances, January 1	279,083	277,648	91,157	49,488	697,376
Fund Cash Balances, December 31	\$173,727	\$268,656	\$70,032	\$50,753	\$563,168

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, 20001**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
Operating Cash Receipts:					
Charges for Services	\$514,691				\$514,691
Miscellaneous	10,000		\$6,000		16,000
Total Operating Cash Receipts	<u>524,691</u>		<u>6,000</u>		<u>530,691</u>
Operating Cash Disbursements:					
Personal Services	113,116				113,116
Fringe Benefits	26,228				26,228
Contractual Services	110,094				110,094
Supplies and Materials	39,528	95			39,623
Miscellaneous	5,936				5,936
Capital Outlay	127,497				127,497
Total Operating Cash Disbursements	<u>422,399</u>	<u>95</u>			<u>422,494</u>
Operating Income/(Loss)	<u>102,292</u>	<u>(95)</u>	<u>6,000</u>		<u>108,197</u>
Non-Operating Cash Receipts:					
Earnings on Investments		226			226
Proceeds from Notes and Bonds	80,000				80,000
Court Fines and Fees			18,790		18,790
Total Non-Operating Cash Receipts	<u>80,000</u>	<u>226</u>	<u>18,790</u>		<u>99,016</u>
Non-Operating Cash Disbursements:					
Debt Service	218,667				218,667
Court Fines and Fees			20,586		20,586
Total Non-Operating Cash Disbursements	<u>218,667</u>		<u>20,586</u>		<u>239,253</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(36,375)	131	4,204		(32,040)
Transfers-In	25,638				25,638
Transfers-Out	(25,638)				(25,638)
Net Receipts Over/(Under) Disbursements	(36,375)	131	4,204		(32,040)
Fund Cash Balances, January 1	<u>564,878</u>	<u>10,164</u>	<u>1,796</u>		<u>576,838</u>
Fund Cash Balances, December 31	<u>\$528,503</u>	<u>\$10,295</u>	<u>\$6,000</u>		<u>\$544,798</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, 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Leetonia, Columbiana County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities, and police services.

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 basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit and a repurchase agreement are valued 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 is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to 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 Funds

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, 2001
(CONTINUED)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project funds:

WW Project # CT46C Fund- This fund receives proceeds from the Ohio Department of Transportation. The proceeds are being used for the Village sidewalk project.

OPWC Fund- This fund receives funds from the Ohio Public Works Commission. These monies are being used as the local match for the water treatment plant project.

CDBG Grant Fund- This fund receives grant monies from the U.S. Department of Housing and Urban Development. These monies are being used for the water treatment plant project.

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Enterprise Debt Service Fund - This fund receives loan proceeds from the Ohio Water Development Authority to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

5. Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified 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 funds:

E. Wilderson Trust Fund- This fund receives interest from principal willed to the Village for the maintenance of the burial plot.

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, 2001
(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. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered 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 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by all funds. 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, 2001
(CONTINUED)**

	2001
Demand deposits	(\$29,964)
Certificates of deposit	54,806
Total deposits	24,842
Repurchase agreement	1,083,124
Total investments	1,083,124
Total deposits and investments	\$1,107,966

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, or (2) collateralized by the financial institution's public entity deposit pool.

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 year ending December 31, 2001 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$410,579	\$421,877	\$11,298
Special Revenue	668,710	664,520	(4,190)
Capital Projects	945,269	950,902	5,633
Enterprise	537,718	630,329	92,611
Fiduciary	6,381	7,491	1,110
Total	\$2,568,657	\$2,675,119	\$106,462

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$630,075	\$527,233	\$102,842
Special Revenue	781,468	673,512	107,956
Capital Projects	1,007,941	972,027	35,914
Enterprise	734,071	666,704	67,367
Fiduciary	17,216	95	17,121
Total	\$3,170,771	\$2,839,571	\$331,200

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the WW Project #CT46 C Fund by \$11,516 and the Washington Waterline Project by \$77,250 for the year ended December 31, 2001. Also contrary to Ohio law, appropriations exceeded certified resources in the SCMR Fund by \$814, the Cemetery Fund by \$1,270, the CDBG WW Treatment Plant project fund by \$43,063, and the Sewer Fund by \$9,335 for the year ended December 31, 2001.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

6. DEBT

Debt outstanding at December 31, 2001 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,527,525	7.89%
Ohio Water Development Authority Loan	\$10,000	0.00%
1998 Fire Truck Note	119,000	5.15%
2000 International Dump Truck Note	40,000	5.15%
2000 Crown Victoria Note	10,000	5.45%
Washington Waterline Additions Note	80,000	5.40%
Total	<u>\$1,786,525</u>	

The Ohio Water Development Authority (OWDA) loan relates to a sewer plant construction, maintenance and operation project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$3,000,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of \$94,007, including interest, over 20 years. The scheduled payment amount below assumes that \$2,322,000 will be borrowed. The scheduled payment will be adjusted to reflect any revisions in amounts actually borrowed. The loan is collateralized by sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001
(CONTINUED)**

6. DEBT – (Continued)

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

Year ending December 31:	OWDA Loan	\$20,000 OWDA Loan	1998 Fire Truck Note	International Dump Truck Note	Crown Victoria Note	Washington Waterline Note
2002	\$188,014	\$0	\$22,690	\$6,930	\$5,545	\$12,102
2003	188,014	2,000	21,814	6,673	5,204	11,670
2004	188,014	2,000	20,951	6,415	0	11,238
2005	188,014	2,000	20,063	6,158	0	10,806
2006	188,014	2,000	19,187	5,900	0	10,374
2007 - 2011	940,070	2,000	35,751	11,156	0	45,391
2012 - 2016	658,049	0	0	0	0	0
Total	<u>\$2,538,189</u>	<u>\$10,000</u>	<u>\$140,456</u>	<u>\$43,232</u>	<u>\$10,749</u>	<u>\$101,581</u>

Debt principal outstanding at December 31, 2001 was \$1,786,525.

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 Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2001 OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2001. The Village has paid all contributions required through December 31, 2001.

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, 2001
(CONTINUED)**

9. CONTINGENT LIABILITIES

The Village is defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

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VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant	C-W-98-219-1	14.228	<u>\$359,979</u>
Total			<u><u>\$359,979</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2001**

NOTE A--SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes activity of the Village's federal award programs. The schedule has been prepared on the cash basis of accounting.



STATE OF OHIO
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JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
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 accompanying financial statements of the Village of Leetonia (the Village) as of and for the year ended December 31, 2001, and have issued our report thereon dated June 6, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-31215-001 and 2001-31215-002. In addition, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 6, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 6, 2002.

This report is intended solely for the information and use of the management, Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

June 6, 2002



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

To the Village Council:

Compliance

We have audited the compliance of the Village of Leetonia (the Village) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2001. The Village's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Village's management. Our responsibility is to express an opinion on the Village's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village's compliance with those requirements.

In our opinion, the Village complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

Internal Control Over Compliance

The management of the Village is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted one matter involving the internal control over compliance that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 6, 2002.

This report is intended solely for the information and use of the management, Council, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Jim Petro
Auditor of State

June 6, 2002

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	CDBG CFDA# 14.228
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2001-31215-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter. The Village had expenditures exceeding appropriations in the following Funds at December 31, 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Disbursements</u>	<u>Violation Amount</u>
Capital Projects Fund			
WW Project #CT46C	\$ 264,835	\$ 276,351	(\$ 11,516)
Enterprise Fund			
Washington Street Waterline	\$ 14,538	\$ 91,788	(\$ 77,250)

This increases the risk of funds running a deficit balance, requiring money from another fund(s) to be used to pay obligations from these funds.

We recommend that the Council and the Clerk monitor closely the annual budget and file amended certificates of estimated resources and appropriations as needed to ensure the disbursements are within the amounts legally appropriated.

FINDING NUMBER 2001-31215-002

Noncompliance Citation

Ohio Rev. Code Section 5705.39 states the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. The Village had appropriations exceeding total certified resources in the following Funds at December 31, 2001:

<u>Fund</u>	<u>Appropriations</u>	<u>Certified Resources</u>	<u>Violation Amount</u>
Special Revenue Funds			
SCMR	\$192,523	\$191,709	(\$ 814)
Cemetery	\$ 58,930	\$ 57,660	(\$ 1,270)
Capital Projects Fund			
CDBG	\$359,979	\$316,916	(\$ 43,063)
Enterprise Fund			
Sewer	\$167,755	\$158,420	(\$ 9,335)

This increases the risk that disbursements within the above named funds could exceed the amounts actually available.

We recommend that the Clerk review the amounts certified thoroughly, adjusting the amended certificate and, subsequently the appropriations, to ensure appropriations do not exceed the amounts on the amended certificate of estimated resources and actual revenue received.

3. FINDINGS FOR FEDERAL AWARDS

1. Title of Finding

Finding Number	None.
CFDA Title and Number	
Federal Award Number / Year	
Federal Agency	
Pass-Through Agency	

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2001

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2001-31215-001.	Appropriations will be amended to alleviate the problem of expenditures exceeding appropriations.	Immediate	June Garlough
2001-31215-002	Appropriations will be amended to ensure that total certified resources are not exceeded.	Immediate	June Garlough



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OFFICE OF THE AUDITOR

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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
JUNE 25, 2002**