



Dave Yost • Auditor of State

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Leetonia, Columbiana County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2017 and 2016, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of Leetonia, Columbiana County as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2018

Village of Leetonia
Columbiana County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2017

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Taxes	\$47,317	\$68,368			\$115,685
Municipal Income Tax	607,837				607,837
Intergovernmental	39,296	103,087			142,383
Charges for Services	10,715	133,843		\$100	144,658
Fines, Licenses and Permits	41,063	1,994			43,057
Earnings on Investments	8,489	466		3	8,958
Miscellaneous	26,440	31,399			57,839
<i>Total Cash Receipts</i>	<u>781,157</u>	<u>339,157</u>	<u>\$0</u>	<u>103</u>	<u>1,120,417</u>
Cash Disbursements					
Current:					
Security of Persons & Property	412,035	163,799			575,834
Public Health Services	5,515	40,689			46,204
Leisure Time Activities	10,315	3,900			14,215
Community Environment	15,534				15,534
Transportation		135,085			135,085
General Government	243,281	1,088			244,369
Capital Outlay		24,064			24,064
Debt Service:					
Principal Retirement		18,851			18,851
<i>Total Cash Disbursements</i>	<u>686,680</u>	<u>387,476</u>	<u>0</u>	<u>0</u>	<u>1,074,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>94,477</u>	<u>(48,319)</u>	<u>0</u>	<u>103</u>	<u>46,261</u>
Other Financing Receipts (Disbursements)					
Transfers In		50,000			50,000
Transfers Out	(40,000)	(10,000)			(50,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(40,000)</u>	<u>40,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	54,477	(8,319)	0	103	46,261
<i>Fund Cash Balances, January 1</i>	<u>187,930</u>	<u>236,402</u>	<u>8,723</u>	<u>60,451</u>	<u>493,506</u>
Fund Cash Balances, December 31					
Nonspendable				60,121	60,121
Restricted		226,982	8,723	433	236,138
Committed		1,101			1,101
Assigned	57,835				57,835
Unassigned (Deficit)	184,572				184,572
<i>Fund Cash Balances, December 31</i>	<u>\$242,407</u>	<u>\$228,083</u>	<u>\$8,723</u>	<u>\$60,554</u>	<u>\$539,767</u>

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

Village of Leetonia
Columbiana County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2017

	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$829,949		\$829,949
Fines, Licenses and Permits		\$24,283	24,283
<i>Total Operating Cash Receipts</i>	<u>829,949</u>	<u>24,283</u>	<u>854,232</u>
Operating Cash Disbursements			
Personal Services	207,201		207,201
Fringe Benefits	37,272		37,272
Contractual Services	355,723		355,723
Supplies and Materials	88,535		88,535
Other	8,504	24,283	32,787
<i>Total Operating Cash Disbursements</i>	<u>697,235</u>	<u>24,283</u>	<u>721,518</u>
<i>Operating Income (Loss)</i>	<u>132,714</u>	<u>0</u>	<u>132,714</u>
Non-Operating Receipts (Disbursements)			
Miscellaneous Receipts	4,223		4,223
Capital Outlay	(30,276)		(30,276)
Principal Retirement	(16,488)		(16,488)
Interest and Other Fiscal Charges	(3,633)		(3,633)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(46,174)</u>	<u>0</u>	<u>(46,174)</u>
<i>Net Change in Fund Cash Balance</i>	86,540	0	86,540
<i>Fund Cash Balances, January 1</i>	<u>521,700</u>	<u>0</u>	<u>521,700</u>
<i>Fund Cash Balances, December 31</i>	<u>\$608,240</u>	<u>\$0</u>	<u>\$608,240</u>

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in Public Entity Pool of Ohio. Note 6 to the financial statements provides additional information for this entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair –This fund is supported by Gas Tax, Motor Vehicle License and State Highway receipts for constructing, maintaining and repairing Village Streets.

Fire Fund – This fund receives property tax receipts and contracts with other entities to provide fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had one capital project fund:

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund - 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.

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

Deposits and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

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.

Fund Balance

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

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

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

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$795,707	\$781,157	(\$14,550)
Special Revenue	424,396	389,156	(35,240)
Enterprise	702,000	834,172	132,172
Agency	12,000	24,283	12,283
Permanent	0	103	103
Total	\$1,934,103	\$2,028,871	\$94,768

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$893,074	\$728,372	\$164,702
Special Revenue	512,665	401,829	110,836
Agency	30,000	24,283	5,717
Enterprise	920,180	759,573	160,607
Total	\$2,355,919	\$1,914,057	\$441,862

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Deposits and Investments

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

	<u>2017</u>
Demand deposits	\$29,781
Certificates of deposit	78,712
Other time deposits (savings and NOW accounts)	<u>1,039,514</u>
Total deposits	<u><u>\$1,148,007</u></u>

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS).

Note 5 – Taxes

Property Taxes

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.

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

Income Taxes

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

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.

Assets	\$44,452,326
Liabilities	(13,004,011)
Net Position	\$31,448,315

At December 31, 2017 the liabilities above include approximately \$11.8 million of estimated incurred claims payable. The assets above also include approximately \$11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Village's share of these unpaid claims collectible in future years is approximately \$17,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2017 Contributions to PEP</u> \$ 27,201
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Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 6 - Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries while OPERS public safety and law enforcement members contributed 12% and 13% respectively, of their gross salaries while the Village contributed an amount equaling 18.10%. The Village has paid all contributions required through December 31, 2017.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2017.

Note 8— Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. OP&F contributes 0.5 percent to fund these benefits.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
OPWC Grit Chamber	\$62,772	-
OWDA -Salem-Leetonia Waterline Project	351,758	1.00%
Total	\$414,531	

The Village has agreed to set water rates sufficient to cover the Ohio Water Development Authority Salem-Leetonia Waterline Project Note debt service requirements.

The Ohio Public Works Commission (OPWC) loan relates to the Grit Chamber. The OPWC approved a loan of \$66,078 for this project. The Village will repay the loan in semiannual installments of \$1,101.27 for thirty years.

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

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

Year Ending December 31:	OWDA Loan	OPWC Grit Chamber
2018	\$19,021	\$2,203
2019	19,021	2,203
2020	19,021	2,203
2021	19,021	2,203
2022	19,021	2,203
2023-2027	95,105	11,012
2028-2032	95,105	11,012
2033-2037	90,105	11,012
2038-2042	19,021	11,012
2043-2046		7,709
Total	\$394,441	\$62,772

Village of Leetonia
Columbiana County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2016

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts					
Property and Other Taxes	\$48,677	\$35,927			\$84,604
Municipal Income Tax	581,757				581,757
Intergovernmental	41,517	104,563			146,080
Charges for Services	320	115,645		\$84	116,049
Fines, Licenses and Permits	44,030	2,745			46,775
Earnings on Investments	3,689	280		4	3,973
Miscellaneous	909	12,255			13,164
<i>Total Cash Receipts</i>	<u>720,899</u>	<u>271,415</u>	<u>\$0</u>	<u>88</u>	<u>992,402</u>
Cash Disbursements					
Current:					
Security of Persons & Property	403,481	144,556			548,037
Public Health Services	6,562	46,408			52,970
Leisure Time Activities	7,898	45,431			53,329
Community Environment	15,197				15,197
Basic Utility Services					
Transportation		143,767			143,767
General Government	247,989	344			248,333
Capital Outlay		13,618			13,618
Debt Service:					
Principal Retirement		18,851			18,851
<i>Total Cash Disbursements</i>	<u>681,127</u>	<u>412,975</u>	<u>0</u>	<u>0</u>	<u>1,094,102</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>39,772</u>	<u>(141,560)</u>	<u>0</u>	<u>88</u>	<u>(101,700)</u>
Other Financing Receipts (Disbursements)					
Transfers In		133,000			133,000
Transfers Out	(133,000)				(133,000)
Other Financing Sources		600			600
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(133,000)</u>	<u>133,600</u>	<u>0</u>	<u>0</u>	<u>600</u>
<i>Net Change in Fund Cash Balances</i>	(93,228)	(7,960)	0	88	(101,100)
<i>Fund Cash Balances, January 1</i>	<u>281,158</u>	<u>244,362</u>	<u>8,723</u>	<u>60,363</u>	<u>594,606</u>
Fund Cash Balances, December 31					
Nonspendable				60,121	60,121
Restricted		236,402	8,723	330	245,455
Assigned	93,971				93,971
Unassigned (Deficit)	93,959				93,959
<i>Fund Cash Balances, December 31</i>	<u>\$187,930</u>	<u>\$ 236,402</u>	<u>\$ 8,723</u>	<u>\$ 60,451</u>	<u>\$ 493,506</u>

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

Village of Leetonia
Columbiana County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary and Fiduciary Fund Types
For the Year Ended December 31, 2016

	<u>Enterprise</u>	<u>Agency</u>	<u>Totals (Memorandum Only)</u>
Operating Cash Receipts			
Charges for Services	\$811,506		\$811,506
Fines, Licenses and Permits		\$ 29,958	29,958
<i>Total Operating Cash Receipts</i>	<u>811,506</u>	<u>29,958</u>	<u>841,464</u>
Operating Cash Disbursements			
Personal Services	189,922		189,922
Fringe Benefits	36,568		36,568
Contractual Services	389,918		389,918
Supplies and Materials	81,500		81,500
Other	12,497	29,958	42,455
<i>Total Operating Cash Disbursements</i>	<u>710,405</u>	<u>29,958</u>	<u>740,363</u>
<i>Operating Income (Loss)</i>	<u>101,101</u>	<u>0</u>	<u>101,101</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	8		8
Other Debt Proceeds	62,919		62,919
Sale of Fixed Assets	1,344		1,344
Miscellaneous Receipts	16,072		16,072
Capital Outlay	(174,843)		(174,843)
Principal Retirement	(17,438)		(17,438)
Interest and Other Fiscal Charges	(3,786)		(3,786)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(115,724)</u>	<u>0</u>	<u>(115,724)</u>
<i>Net Change in Fund Cash Balance</i>	(14,623)	0	(14,623)
<i>Fund Cash Balances, January 1</i>	<u>536,323</u>	<u>0</u>	<u>536,323</u>
<i>Fund Cash Balances, December 31</i>	<u>\$521,700</u>	<u>\$0</u>	<u>\$521,700</u>

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 - Reporting Entity

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

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Village participates in Public Entity Pool of Ohio. Note 6 to the financial statements provides additional information for this entity.

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Village uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Funds:

Street Construction Maintenance and Repair – This fund is supported by Gas Tax, Motor Vehicle License and State Highway receipts for constructing, maintaining and repairing Village Streets.

Fire Fund – This fund receives property tax receipts and contracts with other entities to provide fire protection services.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had one capital project fund:

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund - 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.

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

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

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

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

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

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. Unencumbered appropriations lapse at year end.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3

Deposits and Investments

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

The Village values certificates of deposit at cost. Money market mutual funds are recorded at share values the mutual funds report.

Capital Assets

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

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.

Fund Balance

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

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

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

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 3 - Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$816,609	\$720,899	(\$95,710)
Special Revenue	403,295	405,015	\$1,720
Enterprise	775,000	891,849	\$116,849
Agency	15,500	29,958	\$14,458
Permanent	0	88	\$88
Total	\$2,010,404	\$2,047,809	\$37,405

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$939,634	\$817,523	\$122,111
Special Revenue	513,356	414,773	\$98,583
Agency	37,000	29,958	\$7,042
Enterprise	1,179,082	908,451	\$270,631
Total	\$2,669,072	\$2,170,705	\$498,367

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Deposits and Investments

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

	<u>2016</u>
Demand deposits	\$49,008
Certificates of deposit	78,403
Other time deposits (savings and NOW accounts)	<u>887,795</u>
Total deposits	<u><u>\$1,015,206</u></u>

Deposits

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

Note 5 – Taxes

Property Taxes

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.

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

Local Income Taxes

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

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2016, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2016.

	<u>2016</u>
Assets	\$42,182,281
Liabilities	<u>(13,396,700)</u>
Net Position	<u>\$28,785,581</u>

At December 31, 2016 the liabilities above include approximately \$12.0 million of estimated incurred claims payable. The assets above also include approximately \$11.5 million of unpaid claims to be billed. The Pool's membership increased to 520 members in 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Village's share of these unpaid claims collectible in future years is approximately \$17,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>2016 Contributions to PEP</u> \$ 27,037
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Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 6 - Risk Management (Continued)

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries while OPERS public safety and law enforcement members contributed 12% and 13% respectively, of their gross salaries while the Village contributed an amount equaling 18.10%. The Village has paid all contributions required through December 31, 2016.

Ohio Police and Fire Retirement System

The Village's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. The Village has paid all contributions required through December 31, 2016.

Note 8— Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016. OP&F contributes 0.5 percent to fund these benefits.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
OPWC Grit Chamber	\$63,873	-
Ambulance Note	18,222	3.45%
OWDA -Salem-Leetonia Waterline Project	367,146	1.00%
Total	\$449,241	

The Village has agreed to set water rates sufficient to cover the Ohio Water Development Authority Salem-Leetonia Waterline Project Note debt service requirements.

The Village secured a Lease Agreement of \$70,000 through the Huntington Public Capital Corporation for an ambulance.

The Ohio Public Works Commission (OPWC) loan relates to the Grit Chamber. The OPWC approved a loan of \$66,078 for this project. The Village will repay the loan in semiannual installments of \$1,101.27 for thirty years.

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

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

Year Ending December 31:	OWDA Loan	OPWC Grit Chamber	Ambulance Note
2017	\$19,021	\$2,203	\$18,222
2018	19,021	2,203	
2019	19,021	2,203	
2020	19,021	2,203	
2021	19,021	2,203	
2022-2026	95,105	11,012	
2027-2031	95,105	11,012	
2032-2036	90,105	11,012	
2037-2041	38,042	11,012	
2042-2046		8,810	
Total	\$413,462	\$63,873	\$18,222



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S 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, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2018, wherein we noted the Village followed financial reporting provision Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-002 to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Village's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 28, 2018

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016

1. Financial Reporting

<i>Finding Number</i>	2017-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Ohio Rev. Code § 5705.42 requires in part when the United States government or the state or any department, division, agency, authority, or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, or enters into an agreement with the subdivision for the making of any such grant or loan of money, the amount thereof is deemed appropriated for such purpose by the taxing authority of the subdivision as provided by law and shall be recorded as such by the fiscal officer of the subdivision, and is deemed in process of collection within the meaning of section 5705.41 of the Revised Code.

The Village entered into an agreement with the Ohio Public Works Commission (OPWC) in 2013 for the replacement of the wastewater treatment plant grit chamber. Under this agreement the Village was awarded \$220,255 in grants and loans to complete the project. OPWC directly expended \$62,919 of this to the vendor in 2016. This on-behalf transaction represents approximately 7.5% of reported receipts and disbursements of the enterprise fund types. Due to not having policies and procedures in place, these on behalf payments (receipts and expenditures) made by OPWC were not recorded in the Village's accounting records for 2016, and the corresponding debt was also not recorded in the financial statement disclosures. The adjustment was proposed and made to the Village's financial statements.

The Village did not always properly report fund balances in accordance with Governmental Accounting Standards Board (GASB) Statement No. 54, due to not having policies and procedures in place. The 2016 and 2017 General Fund balance was classified entirely as unassigned. In 2016, \$93,971 of the \$187,930 General Fund, fund balance and in 2017, \$52,489 of the \$242,407 General Fund, fund balance should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount. Fund balances in five trust funds were classified entirely as restricted instead of reporting the principle amounts as nonspendable. These reclassifications have been made to the accompanying financial statements.

Additionally, the notes to the financial statements had the following errors and omissions:

In 2017:

- The Deposits and Investments did not reflect the accurate amounts, resulting in an overstatement of \$63,387.
- The Village failed to include the Public Entities Pool of Ohio for the Risk Management note.
- The Village failed to include the Postemployment Benefits note.

In 2016:

- The Deposits and Investments did not reflect the accurate amounts, resulting in an overstatement of \$146,613.
- The Debt note reflected 2015 balances rather than 2016.
- The Village failed to include the Public Entities Pool of Ohio for the Risk Management note.
- The Village failed to include the Postemployment Benefits note.
- The Village failed to remove and/or tailor the following notes: Contingent Liabilities, Related Party Transactions, Joint Ventures, Jointly Governed Organizations, Related Organizations, and Segment Information.

Other immaterial errors were noted and reported in the Management Letter.

The Village should establish procedures to ensure all transactions made by or on behalf of the Village are accurately and completed recorded in the accounting records; fund balances are properly reported in accordance GASB 54; and, notes to the financial statements are complete and accurate.

Official's Response: The Village of Leetonia accepts this finding. The Village will implement the necessary control measures to ensure that Village financial statements and notes reflect all transactions that are made by or on behalf of the Village.

2. Budgetary Amounts Not Recorded in Accounting System

<i>Finding Number</i>	2017-002
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MATERIAL WEAKNESS

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Council to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Village and the appropriation ledger provides the process by which the Village controls spending, it is therefore necessary the amounts appropriated by the Council are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Village and the receipts ledger provides the process by which the Village controls what is available, it is therefore necessary the amounts by the County Budget Commission are posted accurately to the receipts ledger.

In 2017:

- Budgeted receipts in the accounting system did not reflect the final certificate of estimated resources for any of the fund types.
- Appropriations approved by Council for the General Fund were \$9,000 less than the appropriations in the accounting system.

In 2016:

- The Budgetary Activity reported in the Village's year-end financial statements reflected 2014 and 2015 amounts rather than 2016.
- Appropriations approved by Council for the Fire Levy fund were \$2,285 less than the appropriations in the accounting system.

The Village did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Council were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Village should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Council. The Village should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: The Village of Leetonia accepts this finding. The Village will implement the necessary control measures to ensure that Village financial statements and accounting system reflect accurate budgetary amounts.

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VILLAGE OF LEETONIA

300 East Main Street
Leetonia, Ohio 44431-1197

<http://www.leetonia.org>

Kevin Siembida
Mayor
330 427-6721

Gary E. Phillips
Administrator
330 427-8090

Randy Chismar
Fiscal Officer
330 427-6721

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2017 AND 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 5705.42 – On Behalf Transactions	Not Corrected	Repeated as Finding 2017-001
2015-002	GASB 54 Fund Balance Classifications	Not Corrected	Repeated as Finding 2017-001
2015-003	Finding for Recovery Repaid Under Audit – Former Police Chief John Soldano	Fully Corrected	

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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
JANUARY 3, 2019