



**Auditor of State
Betty Montgomery**

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
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, 2003.....	3
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, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Fiduciary Fund Types - For the Year Ended December 31, 2002.....	5
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, 2002.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings	18

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2003 and December 31, 2002. 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.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 of the Village as of December 31, 2003 and December 31, 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 2004 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.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Village of Leetonia
Columbiana County
Independent Accountants' Report
Page 2

This report is intended solely for the information and use of the audit committee, management, Village Council 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

July 20, 2004

**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, 2003**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$41,240	\$35,407			\$76,647
Municipal Income Tax		371,885			371,885
Intergovernmental Receipts	64,186	302,141	\$60,760		427,087
Charges for Services	53,674	21,065		\$2,050	76,789
Fines, Licenses, and Permits	29,272	3,456			32,728
Earnings on Investments	16,680	1,800		25	18,505
Miscellaneous	10,975	1,226			12,201
Total Cash Receipts	<u>216,027</u>	<u>736,980</u>	<u>60,760</u>	<u>2,075</u>	<u>1,015,842</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	377,863	20,342			398,205
Public Health Services		44,162		3,000	47,162
Leisure Time Activities	11,734	2,921			14,655
Basic Utility Services		4,065			4,065
Transportation		158,777			158,777
General Government	127,058	22,406			149,464
Debt Service:					
Principal Payments	9,000	24,040			33,040
Interest Payments	1,210	5,420			6,630
Capital Outlay	6,912	198,747	83,475		289,134
Total Cash Disbursements	<u>533,777</u>	<u>480,880</u>	<u>83,475</u>	<u>3,000</u>	<u>1,101,132</u>
Total Receipts Over/(Under) Disbursements	<u>(317,750)</u>	<u>256,100</u>	<u>(22,715)</u>	<u>(925)</u>	<u>(85,290)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	298,652	103,000			401,652
Advances-In	1				1
Transfers-Out		(401,652)			(401,652)
Advances-Out		(1)			(1)
Total Other Financing Receipts/(Disbursements)	<u>298,653</u>	<u>(298,653)</u>			
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(19,097)</u>	<u>(42,553)</u>	<u>(22,715)</u>	<u>(925)</u>	<u>(85,290)</u>
Fund Cash Balances, January 1	<u>47,544</u>	<u>268,609</u>	<u>55,007</u>	<u>52,010</u>	<u>423,170</u>
Fund Cash Balances, December 31	<u><u>\$28,447</u></u>	<u><u>\$226,056</u></u>	<u><u>\$32,292</u></u>	<u><u>\$51,085</u></u>	<u><u>\$337,880</u></u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
Operating Cash Receipts:					
Charges for Services	\$524,335				\$524,335
Earnings on Investments		\$76			76
Total Operating Cash Receipts	<u>524,335</u>	<u>76</u>			<u>524,411</u>
Operating Cash Disbursements:					
Personal Services	126,188				126,188
Fringe Benefits	36,504				36,504
Contractual Services	101,219				101,219
Supplies and Materials	50,729	75			50,804
Other	3,521				3,521
Capital Outlay	58,543				58,543
Total Operating Cash Disbursements	<u>376,704</u>	<u>75</u>			<u>376,779</u>
Operating Income/(Loss)	<u>147,631</u>	<u>1</u>			<u>147,632</u>
Non-Operating Cash Receipts:					
Sale of Fixed Assets	250				250
Miscellaneous Receipts	330				330
Court Fines and Fees			38,389		38,389
Total Non-Operating Cash Receipts	<u>580</u>		<u>38,389</u>		<u>38,969</u>
Non-Operating Cash Disbursements:					
Redemption of Principal	86,164				86,164
Interest and Other Fiscal Charges	113,595				113,595
Court Fines and Fees			34,841		34,841
Total Non-Operating Cash Disbursements	<u>199,759</u>		<u>34,841</u>		<u>234,600</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(51,548)	1	3,548		(47,999)
Transfers-In	9,600				9,600
Transfers-Out	(9,600)				(9,600)
Net Receipts Over/(Under) Disbursements	(51,548)	1	3,548		(47,999)
Fund Cash Balances, January 1	<u>364,256</u>	<u>10,340</u>	<u>986</u>		<u>375,582</u>
Fund Cash Balances, December 31	<u>\$312,708</u>	<u>\$10,341</u>	<u>\$4,534</u>		<u>\$327,583</u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
Cash Receipts:					
Property Tax and Other Local Taxes	\$42,338	\$35,851			\$78,189
Municipal Income Tax		398,150			398,150
Intergovernmental Receipts	43,163	72,002	\$45,936		161,101
Charges for Services	54,387	25,665		\$1,200	81,252
Fines, Licenses, and Permits	25,082	2,050			27,132
Earnings on Investments	29,798	1,540		57	31,395
Miscellaneous	3,627	4,200			7,827
Total Cash Receipts	<u>198,395</u>	<u>539,458</u>	<u>45,936</u>	<u>1,257</u>	<u>785,046</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	368,611	20,560			389,171
Public Health Services		40,910			40,910
Leisure Time Activities	10,628	5,735			16,363
Transportation		156,649			156,649
General Government	135,440	27,665			163,105
Debt Service:					
Principal Payments	5,000	20,000			25,000
Interest Payments	2,064	4,781			6,845
Capital Outlay	41,432	22,855	83,364		147,651
Total Cash Disbursements	<u>563,175</u>	<u>299,155</u>	<u>83,364</u>		<u>945,694</u>
Total Receipts Over/(Under) Disbursements	<u>(364,780)</u>	<u>240,303</u>	<u>(37,428)</u>	<u>1,257</u>	<u>(160,648)</u>
Other Financing Receipts and (Disbursements):					
Sale of Bonds or Notes	20,000				20,000
Sale of Fixed Assets		650			650
Transfers-In	221,000	159,000	22,403		402,403
Transfers-Out	(2,403)	(400,000)			(402,403)
Total Other Financing Receipts/(Disbursements)	<u>238,597</u>	<u>(240,350)</u>	<u>22,403</u>		<u>20,650</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(126,183)	(47)	(15,025)	1,257	(139,998)
Fund Cash Balances, January 1	173,727	268,656	70,032	50,753	563,168
Fund Cash Balances, December 31	<u><u>\$47,544</u></u>	<u><u>\$268,609</u></u>	<u><u>\$55,007</u></u>	<u><u>\$52,010</u></u>	<u><u>\$423,170</u></u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Types		Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency		
Operating Cash Receipts:					
Charges for Services	\$523,605				\$523,605
Earnings on Investments		\$164			164
Miscellaneous	2,383				2,383
Total Operating Cash Receipts	<u>525,988</u>	<u>164</u>			<u>526,152</u>
Operating Cash Disbursements:					
Personal Services	123,154				123,154
Fringe Benefits	30,422				30,422
Contractual Services	115,799				115,799
Supplies and Materials	47,717	119			47,836
Other	27,558			6,000	33,558
Capital Outlay	142,150				142,150
Total Operating Cash Disbursements	<u>486,800</u>	<u>119</u>	<u>6,000</u>		<u>492,919</u>
Operating Income/(Loss)	<u>39,188</u>	<u>45</u>	<u>(6,000)</u>		<u>33,233</u>
Non-Operating Cash Receipts:					
Court Fines and Fees			26,241		26,241
Total Non-Operating Cash Receipts			<u>26,241</u>		<u>26,241</u>
Non-Operating Cash Disbursements:					
Redemption of Principal	77,492				77,492
Interest and Other Fiscal Charges	125,943				125,943
Court Fines and Fees			26,675		26,675
Total Non-Operating Cash Disbursements	<u>203,435</u>		<u>26,675</u>		<u>230,110</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(164,247)	45	(6,434)		(170,636)
Transfers-In	9,600				9,600
Transfers-Out	(9,600)				(9,600)
Net Receipts Over/(Under) Disbursements	(164,247)	45	(6,434)		(170,636)
Fund Cash Balances, January 1	<u>528,503</u>	<u>10,295</u>	<u>7,420</u>		<u>546,218</u>
Fund Cash Balances, December 31	<u>\$364,256</u>	<u>\$10,340</u>	<u>\$986</u>		<u>\$375,582</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, 2003 AND 2002**

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.

Waterline Grant Fund -This fund receives Community Development Block Grant money from the County to install a waterline in the Village.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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:

General Improvement Fund - This fund accounts for the local share of the sidewalk project.

WW Project #CT46C Fund – This fund receives proceeds from Ohio Public Works. The proceeds are being used security and monitoring at the Wastewater Treatment Plant.

Leetonia Road Sidewalk Fund - This fund receives proceeds from the Ohio Department of Transportation for the Pine Street Sidewalk 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 a portion of water bill collections to pay back a loan from the Ohio Water Development Authority, the proceeds which were used to finance a utility plant expansion. This loan will be repaid from a utility surcharge, also accounted for in this fund.

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 fund:

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003 and 2002 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, 2003 AND 2002
(Continued)**

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

	2003	2002
Demand deposits	\$20,740	\$15,669
Certificates of deposit	55,100	55,100
Total deposits	75,840	70,769
Repurchase agreement	589,623	727,983
Total investments	589,623	727,983
Total deposits and investments	\$665,463	\$798,752

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 years ending December 31, 2003 and December 31, 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$558,670	\$514,679	(\$43,991)
Special Revenue	859,971	839,980	(19,991)
Capital Projects	40,008	60,760	20,752
Enterprise	550,803	534,515	(16,288)
Fiduciary	2,206	2,151	(55)
Total	\$2,011,658	\$1,952,085	(\$59,573)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$569,110	\$533,777	\$35,333
Special Revenue	1,042,391	882,532	159,859
Capital Projects	93,951	83,475	10,476
Enterprise	770,441	586,063	184,378
Fiduciary	4,270	3,075	1,195
Total	\$2,480,163	\$2,088,922	\$391,241

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY – (Continued)

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$545,693	\$439,395	(\$106,298)
Special Revenue	718,809	699,108	(19,701)
Capital Projects	148,336	68,339	(79,997)
Enterprise	695,498	535,588	(159,910)
Fiduciary	629	1,421	792
Total	\$2,108,965	\$1,743,851	(\$365,114)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$662,013	\$565,578	\$96,435
Special Revenue	810,261	699,155	111,106
Capital Projects	150,574	83,364	67,210
Enterprise	886,061	699,835	186,226
Fiduciary	4,070	119	3,951
Total	\$2,512,979	\$2,048,051	\$464,928

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.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$1,387,216	7.89%
Ohio Water Development Authority Loan	8,000	0.00%
1998 Fire Truck Note	85,000	5.15%
2002 Crown Victoria Note	16,000	5.30%
2000 International Dump Truck Note	30,000	5.15%
Washington Waterline Additions Note	64,000	5.40%
Street Sweeper Lease/Purchase	19,613	3.87%
Total	<u>\$1,609,829</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.

All other debt obligations are collateralized by the Village's taxing authority.

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

Year ending: December 31:	<u>OWDA Loan</u>	<u>\$20,000 OWDA Loan</u>	<u>1998 Fire Truck Note</u>	<u>Dump Truck Note</u>	<u>Washington Waterline Note</u>	<u>Crown Victoria Note</u>	<u>Street Sweeper Lease Purchase</u>
2004	\$175,668	\$2,000	\$20,951	\$6,415	\$11,238	\$4,797	\$14,986
2005	176,367	2,000	20,063	6,158	10,806	4,583	10,179
2006	177,121	2,000	19,188	5,900	10,374	4,371	5,186
2007	177,935	2,000	18,312	5,643	9,942	4,159	
2008	178,813		17,439	5,385	9,510		
2009-2013	909,864			5,128	25,939		
2014-2018	278,976						
Total	<u>\$2,074,744</u>	<u>\$8,000</u>	<u>\$95,953</u>	<u>\$34,629</u>	<u>\$77,809</u>	<u>\$17,910</u>	<u>\$30,351</u>

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

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 2003 and 2002, 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. The Village has paid all contributions required through December 31, 2003.

8. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

The Village is defendant in one lawsuit. Although the outcome of this suit is not presently determinable, management believes that the resolution of this matter 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.

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT 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 years ended December 31, 2003 and 2002, and have issued our report thereon dated July 20, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 20, 2004.

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 July 20, 2004.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

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

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

July 20, 2004

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation:

Ohio Revised Code Section 5705.41 (D) states that: "no subdivision or taxing unit shall make any contract or order involving the expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificates - If no certificate is furnished as required, upon request of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
- B. If the amount involved is less than one thousand dollars (three thousand dollars after April 7, 2003) the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of Council, if such expenditure is otherwise valid.

Of the forty (40) expenditures examined in our disbursement testing, fifteen (15) were not certified by the Clerk until after the invoice date.

We recommend the Clerk certify the availability of funds prior to expenditures being made. When prior certification is not feasible, we encourage the Clerk to utilize Then and Now Certificates to ensure that purchases are certified upon entering into a contract or order involving the expenditure of the Village's money as per the requirements set forth in Ohio Revised Code Section 5705.41 (D).

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-31215-001	Ohio Revised Code Section 5705.41(B) provides that no expenditures of money shall be made unless it has been appropriated.	Yes	
2001-31215-002	Ohio Revised Code Section 5705.39 states that total appropriations from each fund should not exceed the total estimated revenue.	Yes	



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
OCTOBER 5, 2004**