



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Village of Leetonia, Columbiana County, Ohio (the Village), which comprises the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2021 and 2020, or the changes in financial position thereof for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by the Village on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Emphasis of Matter

As discussed in Note 13 to the 2021 and 2020 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's 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.



Keith Faber
Auditor of State
Columbus, Ohio

March 10, 2023

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Village of Leetonia, Ohio
Columbiana County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2021

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$59,587 | \$104,997 | | | \$164,584 |
| Municipal Income Tax | 801,982 | | | | 801,982 |
| Intergovernmental | 54,067 | 390,304 | | | 444,371 |
| Charges for Services | 21,868 | 135,376 | | \$130 | 157,374 |
| Fines, Licenses and Permits | 23,732 | 66 | | | 23,798 |
| Earnings on Investments | 359 | 189 | | 72 | 620 |
| Miscellaneous | 10,172 | 635,164 | | | 645,336 |
| <i>Total Cash Receipts</i> | <u>971,767</u> | <u>1,266,096</u> | <u>\$0</u> | <u>202</u> | <u>2,238,065</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 397,367 | 344,499 | | | 741,866 |
| Public Health Services | 6,477 | 100,618 | | | 107,095 |
| Leisure Time Activities | 12,469 | 1,336 | | | 13,805 |
| Community Environment | 9,206 | | | | 9,206 |
| Transportation | | 277,850 | | | 277,850 |
| General Government | 263,009 | 1,119 | | | 264,128 |
| Capital Outlay | | 7,100 | | | 7,100 |
| Debt Service: | | | | | |
| Principal Retirement | | 81,000 | | | 81,000 |
| Interest and Fiscal Charges | | 7,440 | | | 7,440 |
| <i>Total Cash Disbursements</i> | <u>688,528</u> | <u>820,962</u> | <u>0</u> | <u>0</u> | <u>1,509,490</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>283,239</u> | <u>445,134</u> | <u>0</u> | <u>202</u> | <u>728,575</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Sale of Capital Assets | 10,450 | 2,917 | | | 13,367 |
| Transfers In | | 43,426 | | | 43,426 |
| Transfers Out | (43,426) | | | | (43,426) |
| Advances In | 3,426 | | | | 3,426 |
| Advances Out | | (3,426) | | | (3,426) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>(29,550)</u> | <u>42,917</u> | <u>0</u> | <u>0</u> | <u>13,367</u> |
| <i>Net Change in Fund Cash Balances</i> | 253,689 | 488,051 | 0 | 202 | 741,942 |
| <i>Fund Cash Balances, January 1</i> | <u>183,744</u> | <u>717,739</u> | <u>8,723</u> | <u>61,024</u> | <u>971,230</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$437,433</u> | <u>\$1,205,790</u> | <u>\$8,723</u> | <u>\$61,226</u> | <u>\$1,713,172</u> |

See accompanying notes to the financial statements

Village of Leetonia, Ohio
Columbiana County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2021

| | Enterprise |
|---|-------------|
| Operating Cash Receipts | |
| Charges for Services | \$1,005,389 |
| <i>Total Operating Cash Receipts</i> | 1,005,389 |
| Operating Cash Disbursements | |
| Personal Services | 271,960 |
| Employee Fringe Benefits | 46,444 |
| Contractual Services | 482,182 |
| Supplies and Materials | 129,700 |
| Other | 10,917 |
| <i>Total Operating Cash Disbursements</i> | 941,203 |
| <i>Operating Income (Loss)</i> | 64,186 |
| Non-Operating Receipts (Disbursements) | |
| Sale of Capital Assets | 628 |
| Miscellaneous Receipts | 497 |
| Capital Outlay | (83,730) |
| Principal Retirement | (14,460) |
| Interest and Other Fiscal Charges | (2,959) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (100,024) |
| <i>Net Change in Fund Cash Balances</i> | (35,838) |
| <i>Fund Cash Balances, January 1</i> | 429,777 |
| <i>Fund Cash Balances, December 31</i> | \$393,939 |

See accompanying notes to the financial statements

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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, 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 7 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 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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

Fire and EMS Levy Fund – This fund receives property tax receipts and contracts with other entities to provide fire and EMS 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 the following significant capital project fund:

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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

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 (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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.

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 (C). 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 (C) 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2021 budgetary activity appears in Note 4.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the American Rescue Plan and Fire Levy funds by \$48,647 and \$21,039 respectively for the year ended December 31, 2021.

Also contrary to Ohio law, the Village did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021. As a result, the appropriations for 2021 exceeded the certificate of estimated resources.

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2021 follows:

| 2021 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$0 | \$982,217 | \$982,217 |
| Special Revenue | 0 | 1,312,439 | 1,312,439 |
| Enterprise | 0 | 1,006,514 | 1,006,514 |
| Permanent | 0 | 202 | 202 |
| Total | \$0 | \$3,301,372 | \$3,301,372 |

| 2021 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$974,900 | \$731,954 | \$242,946 |
| Special Revenue | 856,012 | 820,962 | 35,050 |
| Enterprise | 1,010,724 | 1,042,352 | (31,628) |
| Permanent | 0 | 0 | 0 |
| Total | \$2,841,636 | \$2,595,268 | \$246,368 |

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Note 5 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

| | <u>2021</u> |
|---|-------------------------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$978,917 |
| Certificates of deposit | 71,400 |
| Other time deposits (savings and NOW accounts) | <u>1,056,794</u> |
| Total carrying amount of deposits and investments held in the Pool (ties to FS) | <u><u>2,107,111</u></u> |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Note 6 – 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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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, 2021

Note 7 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2021</u> |
|-----------------------|---------------|
| Cash and investments | \$ 41,996,850 |
| Actuarial liabilities | \$14,974,099 |

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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. The Village has paid all contributions required through December 31, 2021.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

Ohio Police and Fire Retirement System

The Village’s certified full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members’ wages. The Village has paid all contributions required through December 31, 2021.

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants’ gross salaries. The Village has paid all contributions required through December 31, 2021.

Note 9 – 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 0 percent during calendar year 2021. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2021. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 10 – Debt

Debt outstanding at December 31, 2021, was as follows:

| | Principal | Interest Rate |
|---|-----------|---------------|
| OPWC Grit Chamber | \$55,063 | 0% |
| OWDA Salem Leetonia Waterline Project | 296,677 | 1.00% |
| OWDA Water Meters | 277,406 | 1.02% |
| Columbiana County Port Authority Paving | 321,000 | 2.00% |
| Total | \$950,146 | |

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

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

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.

The Village has agreed to set water rates sufficient to cover the Ohio Water Development Authority Water Meter Note debt service requirements. The OWDA approved a loan of \$294,010 in 2019. The Village will repay the loan in semiannual installments of \$5,707.23 for thirty years.

The Village borrowed \$423,000 from the Columbiana County Port Authority in 2020. The notes will be paid in quarterly payments for five 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 Water line | OPWC Grit Chamber | OWDA Water Meters | Port Authority Paving |
|-----------------------------|--------------------|----------------------|----------------------|--------------------------|
| 2022 | \$19,021 | \$2,203 | \$11,414 | \$67,500 |
| 2023 | 19,021 | 2,203 | 11,414 | 88,530 |
| 2024 | 19,021 | 2,203 | 11,414 | 88,845 |
| 2025 | 19,021 | 2,203 | 11,414 | 89,100 |
| 2026 | 19,021 | 2,203 | 11,414 | |
| 2027-2031 | 95,103 | 11,013 | 57,072 | |
| 2032-2036 | 95,103 | 11,013 | 57,072 | |
| 2037-2041 | 38,041 | 11,013 | 57,072 | |
| 2042-2046 | | 11,009 | 57,072 | |
| 2047-2050 | | | 34,243 | |
| | \$323,352 | \$55,063 | \$319,601 | \$333,975 |

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2021

| Fund Balances | General | Special Revenue | Capital Projects | Permanent | Total |
|--------------------------|---------|--------------------|---------------------|-----------|-----------|
| Nonspendable: | | | | | |
| Corpus | | | | \$ 60,121 | \$ 60,121 |
| Outstanding Encumbrances | \$ - | \$ - | \$ - | | |
| <i>Total</i> | \$ - | \$ - | \$ - | \$ 60,121 | \$ 60,121 |

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2021, the Village received American Rescue Plan funding. These amounts are reflected as general government expenditures in the American Rescue Plan Fund on the accompanying financial statements.

Note 14 – Subsequent Events

In July 2022 the Village was approved for an Ohio Public Works Commission loan in the amount of \$189,202 for waterline improvements. The loan carries an interest rate of 0%.

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Village of Leetonia, Ohio
Columbiana County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|---|------------------|--------------------|---------------------|-----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$59,042 | \$76,540 | | | \$135,582 |
| Municipal Income Tax | 678,494 | | | | 678,494 |
| Intergovernmental | 49,632 | 267,597 | | | 317,229 |
| Charges for Services | 15,553 | 130,637 | | \$101 | 146,291 |
| Fines, Licenses and Permits | 24,160 | 179 | | | 24,339 |
| Earnings on Investments | 3,971 | 668 | | 140 | 4,779 |
| Miscellaneous | 56,994 | 74,794 | | | 131,788 |
| Total Cash Receipts | 887,846 | 550,415 | \$0 | 241 | 1,438,502 |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| Security of Persons and Property | 413,934 | 158,181 | | | 572,115 |
| Public Health Services | 6,357 | 130,392 | | 4 | 136,753 |
| Leisure Time Activities | 12,339 | | | | 12,339 |
| Community Environment | 15,430 | | | | 15,430 |
| Transportation | | 414,423 | | | 414,423 |
| General Government | 309,394 | 1,118 | | | 310,512 |
| Capital Outlay | 30,000 | 31,737 | | | 61,737 |
| Debt Service: | | | | | |
| Principal Retirement | | 21,000 | | | 21,000 |
| Interest and Fiscal Charges | | 1,457 | | | 1,457 |
| Total Cash Disbursements | 787,454 | 758,308 | 0 | 4 | 1,545,766 |
| Excess of Receipts Over (Under) Disbursements | 100,392 | (207,893) | 0 | 237 | (107,264) |
| Other Financing Receipts (Disbursements) | | | | | |
| Loans Issued | | 423,000 | | | 423,000 |
| Sale of Capital Assets | 3,740 | 7,656 | | | 11,396 |
| Transfers In | | 185,000 | | | 185,000 |
| Transfers Out | (185,000) | | | | (185,000) |
| Total Other Financing Receipts (Disbursements) | (181,260) | 615,656 | 0 | 0 | 434,396 |
| Net Change in Fund Cash Balances | (80,868) | 407,763 | 0 | 237 | 327,132 |
| Fund Cash Balances, January 1 | 264,612 | 309,976 | 8,723 | 60,787 | 644,098 |
| Fund Cash Balances, December 31 | \$183,744 | \$717,739 | \$8,723 | \$61,024 | \$971,230 |

See accompanying notes to the financial statements

Village of Leetonia, Ohio
Columbiana County
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Proprietary Fund Types
For the Year Ended December 31, 2020

| | Enterprise |
|---|------------|
| Operating Cash Receipts | |
| Charges for Services | \$871,520 |
| <i>Total Operating Cash Receipts</i> | 871,520 |
| Operating Cash Disbursements | |
| Personal Services | 242,188 |
| Employee Fringe Benefits | 42,258 |
| Contractual Services | 459,890 |
| Supplies and Materials | 123,725 |
| Other | 11,499 |
| <i>Total Operating Cash Disbursements</i> | 879,560 |
| <i>Operating Income (Loss)</i> | (8,040) |
| Non-Operating Receipts (Disbursements) | |
| Sale of Capital Assets | 1,844 |
| Miscellaneous Receipts | 28,219 |
| Capital Outlay | (148,937) |
| Principal Retirement | (25,431) |
| Interest and Other Fiscal Charges | (6,104) |
| <i>Total Non-Operating Receipts (Disbursements)</i> | (150,409) |
| <i>Net Change in Fund Cash Balances</i> | (158,449) |
| <i>Fund Cash Balances, January 1</i> | 588,226 |
| <i>Fund Cash Balances, December 31</i> | \$429,777 |
| <i>See accompanying notes to the financial statements</i> | |

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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, 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 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 The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for construction, maintenance, and repair of streets within the Village.

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 the following significant capital project fund:

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

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 (for the benefit of the government or its citizenry). The Village had the following significant permanent fund:

Cemetery Endowment Fund The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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.

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 (C). 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 (C) 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. Appropriations lapse at year end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus 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 2020 budgetary activity appears in Note 3.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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. For regulatory purposes nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Village and the nonexpendable portion of the corpus in permanent funds.

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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2020 follows:

| 2020 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$827,656 | \$891,586 | \$63,930 |
| Special Revenue | 1,124,915 | 1,166,071 | 41,156 |
| Enterprise | 836,088 | 901,583 | 65,495 |
| Permanent | (48,757) | 241 | 48,998 |
| Total | \$2,739,902 | \$2,959,481 | \$219,579 |

| 2020 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$1,021,751 | \$972,454 | \$49,297 |
| Special Revenue | 887,538 | 758,308 | 129,230 |
| Enterprise | 1,135,761 | 1,060,032 | 75,729 |
| Permanent | 20 | 4 | 16 |
| Total | \$3,045,070 | \$2,790,798 | \$254,272 |

Note 4 – Deposits and Investments

To improve cash management, cash received by the Village is pooled. Monies for all funds are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Village's deposit and investment accounts are as follows:

| | 2020 |
|---|-----------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$295,233 |
| Certificates of deposit | 49,400 |
| Other time deposits (savings and NOW accounts) | 1,056,374 |
| Total carrying amount of deposits and investments held in the Pool (ties to FS) | 1,401,007 |

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

Note 6 – Risk Management

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Village pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (The Pool). The Pool assumes the risk of loss up to the limits of the (local entity's) policy. The Pool covers the following risks:

- General liability and casualty
- Public official's liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| <u>2020</u> | |
|-----------------------|---------------|
| Cash and investments | \$ 40,318,971 |
| Actuarial liabilities | \$14,111,510 |

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some Village 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. The Village has paid all contributions required through December 31, 2020.

Ohio Police and Fire Retirement System

The Village's certified full-time Police Officers belong to the Ohio 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 health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Village contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages. The Village has paid all contributions required through December 31, 2020.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Social Security

Other Village employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2020.

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 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the Member Directed Plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

| | Principal | Interest Rate |
|---|-------------|---------------|
| OPWC Grit Chamber | \$57,266 | 0% |
| OWDA Salem Leetonia Waterline Project | 304,664 | 1.00% |
| OWDA Water Meters | 281,677 | 1.02% |
| Columbiana County Port Authority Paving | 402,000 | 2.00% |
| Total | \$1,045,607 | |

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.

The Village has agreed to set water rates sufficient to cover the Ohio Water Development Authority Water Meter Note debt service requirements. The OWDA approved a loan of \$294,010 in 2019. The Village will repay the loan in semiannual installments of \$5,707.23 for thirty years.

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The Village borrowed \$423,000 from the Columbiana County Port Authority in 2020. The notes will be paid in quarterly payments for five 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 Water line | OPWC Grit Chamber | OWDA Water Meters | Port Authority Paving |
|-----------------------------|--------------------|----------------------|----------------------|--------------------------|
| 2021 | \$9,510 | \$2,203 | \$5,707 | \$65,730 |
| 2022 | 19,021 | 2,203 | 11,414 | 90,210 |
| 2023 | 19,021 | 2,203 | 11,414 | 88,530 |
| 2024 | 19,021 | 2,203 | 11,414 | 88,845 |
| 2025 | 19,021 | 2,203 | 11,414 | 89,100 |
| 2026-2030 | 95,103 | 11,013 | 57,072 | |
| 2031-2035 | 95,103 | 11,013 | 57,072 | |
| 2036-2040 | 57,062 | 11,013 | 57,072 | |
| 2041-2045 | | 11,013 | 57,072 | |
| 2046-2050 | | 2,199 | 45,658 | |
| | \$332,862 | \$57,266 | \$325,309 | \$422,415 |

Note 10 – Contingent Liabilities

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 11 – Fund Balances

Included in fund balance are amounts the Village cannot spend, including the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the balances of these amounts were as follows:

| Fund Balances | General | Special Revenue | Capital Projects | Permanent | Total |
|--------------------------|---------|--------------------|---------------------|-----------|-----------|
| Nonspendable: | | | | | |
| Corpus | | | | \$ 60,121 | \$ 60,121 |
| Outstanding Encumbrances | \$ - | \$ - | \$ - | - | - |
| <i>Total</i> | \$ - | \$ - | \$ - | \$ 60,121 | \$ 60,121 |

Village of Leetonia, Ohio
Columbiana County
Notes to the Financial Statements
For the Year Ended December 31, 2020

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects fund are restricted committed or assigned. The fund balance of permanent funds that is not part of the nonspendable corpus is either restricted or committed. These restricted, committed and assigned amounts in the special revenue, debt service, capital projects and permanent funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 12 – Change in Accounting Principles

For 2020, the Village has made changes to their cash basis reporting model. These changes include removing the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types.

This change had no effect on beginning cash balances of the Village.

Note 13 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021 while the national state of emergency continues. During 2021, the Village received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The impact on the Village’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Village received CARES Act funding. These amounts are reflected as general government expenditures in the Coronavirus Relief Special Revenue Fund on the accompanying financial statements.

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**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 of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the cash balances, receipts, and disbursements for each governmental and proprietary fund type as of and for the years ended December 31, 2021 and 2020 and the related notes to the financial statements of the Village of Leetonia, Columbiana County, (the Village) and have issued our report thereon dated March 10, 2023, wherein we noted the Village followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(C) permit and also noted the Village included a disclosure regarding the potential financial impact of COVID-19 and the continuing emergency measures.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2021-001 through 2021-005 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2021-001 through 2021-003.

Village's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Village's response to the findings identified in our audit and described in the accompanying schedule of findings. The Village's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

March 10, 2023

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2021 and 2020

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

1. Ohio Rev. Code § 5705.41(B)

FINDING NUMBER 2021-001

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.41(B) prohibits a subdivision or taxing authority unit from making any expenditure of money unless it has been appropriated in accordance with the Ohio Revised Code. Due to inadequate policies and procedures in approving and reviewing budget versus actual information, the Village's American Rescue Plan and Fire Levy funds had expenditures in excess of appropriations of \$48,647 and \$21,039, respectively, as of December 31, 2021. In addition, the Village's Water Operating, Sewer Operating, Lab and Water Capital Improvement funds had expenditures in excess of appropriations of \$7,412, \$15,685, \$12,231 and \$34,429, respectively, as of December 31, 2021.

Failure to have adequate appropriations in place at the time expenditures are made could cause expenditures to exceed available resources, further resulting in deficit spending practices.

The Village Council should closely monitor expenditures and appropriations and make the necessary appropriation amendments, if possible, to reduce the likelihood of expenditures exceeding appropriations. Additionally, the Fiscal Officer should deny payment requests exceeding appropriations when appropriations are inadequate to cover the expenditures.

2. Ohio Rev. Code § 5705.36(A)(1)

FINDING NUMBER 2021-002

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission in 2021. This was not detected by the Village due to deficiencies in the budgetary compliance and monitoring control policies and procedures. Failure to obtain the required amended certificate of estimated resources can lead to improper budgeting and limits the effectiveness of management monitoring.

The Fiscal Officer should, on or about the first day of each fiscal year, certify to the county auditor the total amount from all sources available for expenditures from each fund and obtain the approved amended certificate of estimated resources.

3. Ohio Revised Code § 5705.39

FINDING NUMBER 2021-003

NONCOMPLIANCE AND MATERIAL WEAKNESS

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

The Fiscal Officer did not certify to the County Auditor the total amount from all sources available for expenditures from each fund or obtain a certificate of estimated resources from the Budget Commission for fiscal year December 31, 2021, therefore, the Village's appropriations exceeded the amount certified as available by the budget commission in all funds.

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the Village's compliance monitoring policies and procedures could result in overspending and negative cash fund balances.

The Village should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Village should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Village Council to reduce the appropriations.

4. Budgetary Amounts not recorded in accounting system

FINDING NUMBER 2021-004

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 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 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 estimated by the County Budget Commission are posted accurately to the receipts ledger.

Final 2021 Board Approved Appropriations did not agree to the accounting system for the following funds:

| Fund | Board Approved Appropriations | Appropriations in UAN | Variance |
|-----------------------------|-------------------------------|-----------------------|------------|
| General (1000) | \$974,900 | \$993,120 | (\$18,220) |
| Fire Levy (2901) | \$83,100 | \$104,596 | (\$21,496) |
| American Rescue Plan (2151) | \$0 | \$48,647 | (\$48,647) |
| Sewer Operating | \$250,324 | \$86,300 | \$164,024 |

Final 2020 Certificate of Estimated Resources did not agree to the accounting system for the following funds:

| Fund | Final Certificate of Estimated Resources | Budgeted Revenue in UAN | Variance |
|---------------------|--|-------------------------|----------|
| General Fund (1000) | \$827,656 | \$824,230 | \$3,426 |

Lastly, there was no Certificate of Estimated Resources for 2021 therefore, certificate amounts could not be agreed to budgeted revenue in UAN for all funds.

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.

This led to the notes to the financial statements being reported incorrectly, see Finding Number 2021-005 (Financial Reporting).

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 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.

5. Financial Reporting

FINDING NUMBER 2021-005

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.

The notes to the financial statements had the following errors and omissions which have been corrected:

The Village did not include the required note disclosure for entities using the AOS regulatory basis for equity.

In 2020, appropriations were misstated in the Special Revenue and Permanent funds by \$800 and (\$20), respectively.

In 2020, budgeted receipts were misstated for the General, Special Revenue and Permanent funds by (\$3,426), \$21,593 and \$48,800, respectively.

In 2021, appropriations were misstated in the General, Special Revenue and Enterprise funds by \$18,220, \$236,847 and \$145,195 respectively.

In 2021, budgeted receipts were misstated for the General, Special Revenue and Enterprise funds by \$957,477, \$790,313 and \$946,000, respectively.

In 2020, expenditures were overstated in the Sewer Capital Improvement Fund and understated in the Water Capital Improvement fund by \$352. This also resulted in an understatement of fund balance in the Sewer Capital Improvement Fund and overstatement of fund balance in the Water Capital Improvement Fund for \$352.

The Village should establish procedures to ensure all fund balances are properly reported in accordance GASB 54; and, notes to the financial statements are complete and accurate.

Official's Response to Findings 2021-001 thru 2021-005: The Village has received and reviewed the State Audit. At this time, Village Council will be looking to implement policy and control measures to enhance safety procedures to establish Villages financial safeguards.



The Village of Leetonia

300 East Main St.
Leetonia, Ohio 44431
330-427-6721

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2021 AND 2020

| Finding Number | Finding Summary | Status | Additional Information |
|-----------------------|---|----------------------------------|--|
| 2019-001 | Appropriations Exceeding Estimated Resources | Repeated See Finding 2021-003 | Village of Leetonia will be establishing protocols through Village Council for yearly reviews. |
| 2019-002 | Financial Reporting | Repeated See Finding 2021-005 | Village will establish a Fiscal report for Monthly review by Mayor and approval by Council. |
| 2019-003 | Budgetary Amounts Not Recorded in the Accounting System | Repeated See Finding 2021-004 | Village of Leetonia will establish an annual report for Council Approval |

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LEETONIA

COLUMBIANA COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 4/13/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov