



Dave Yost • Auditor of State

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Leetonia, Columbiana County as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2016

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$48,462	\$35,345			\$83,807
Municipal Income Tax	666,414				666,414
Intergovernmental	44,267	104,456			148,723
Charges for Services	20,280	138,055		\$21	158,356
Fines, Licenses and Permits	30,818	1,115			31,933
Earnings on Investments	1,963	138		4	2,105
Donations		1,209			1,209
Miscellaneous	1,509	20,426			21,935
<i>Total Cash Receipts</i>	<u>813,713</u>	<u>300,744</u>	<u>\$0</u>	<u>25</u>	<u>1,114,482</u>
Cash Disbursements					
Current:					
Security of Persons and Property	478,534	143,029			621,563
Public Health Services	6,233	46,251		4	52,488
Leisure Time Activities	6,943	29,778			36,721
Community Environment	14,436				14,436
Transportation		210,058			210,058
General Government	245,276	334			245,610
Capital Outlay		39,601			39,601
Debt Service:					
Principal Retirement		18,851			18,851
<i>Total Cash Disbursements</i>	<u>751,422</u>	<u>487,902</u>	<u>0</u>	<u>4</u>	<u>1,239,328</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>62,291</u>	<u>(187,158)</u>	<u>0</u>	<u>21</u>	<u>(124,846)</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	418				418
Transfers In		127,000			127,000
Transfers Out	(127,000)				(127,000)
Advances In	10,279	25,000			35,279
Advances Out	(25,000)	(10,279)			(35,279)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(141,303)</u>	<u>141,721</u>	<u>0</u>	<u>0</u>	<u>418</u>
Special Item	1,090				1,090
<i>Net Change in Fund Cash Balances</i>	<u>(77,922)</u>	<u>(45,437)</u>	<u>0</u>	<u>21</u>	<u>(123,338)</u>
<i>Fund Cash Balances, January 1</i>	<u>359,080</u>	<u>289,799</u>	<u>8,723</u>	<u>60,342</u>	<u>717,944</u>
Fund Cash Balances, December 31					
Nonspendable				60,121	60,121
Restricted		244,362	8,723	242	253,327
Assigned	103,111				103,111
Unassigned (Deficit)	178,047				178,047
<i>Fund Cash Balances, December 31</i>	<u>\$281,158</u>	<u>\$244,362</u>	<u>\$8,723</u>	<u>\$60,363</u>	<u>\$594,606</u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Types	Fiduciary Fund Types	(Memorandu m Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$814,557		\$814,557
Fines, Licenses and Permits		\$11,583	11,583
<i>Total Operating Cash Receipts</i>	<u>814,557</u>	<u>11,583</u>	<u>826,140</u>
Operating Cash Disbursements			
Personal Services	200,522		200,522
Employee Fringe Benefits	38,892		38,892
Contractual Services	333,603		333,603
Supplies and Materials	100,182		100,182
Other	7,910	11,583	19,493
<i>Total Operating Cash Disbursements</i>	<u>681,109</u>	<u>11,583</u>	<u>692,692</u>
<i>Operating Income (Loss)</i>	<u>133,448</u>	<u>0</u>	<u>133,448</u>
Non-Operating Receipts (Disbursements)			
Intergovernmental	223,913		223,913
Miscellaneous Receipts	405		405
Capital Outlay	(267,855)		(267,855)
Principal Retirement	(102,232)		(102,232)
Interest and Other Fiscal Charges	(10,019)		(10,019)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(155,788)</u>	<u>0</u>	<u>(155,788)</u>
<i>Income (Loss) before Transfers</i>	(22,340)	0	(22,340)
Transfers In	9,600		9,600
Transfers Out	(9,600)		(9,600)
<i>Net Change in Fund Cash Balances</i>	(22,340)	0	(22,340)
<i>Fund Cash Balances, January 1</i>	<u>558,663</u>	<u>0</u>	<u>558,663</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$536,323</u></u>	<u><u>\$0</u></u>	<u><u>\$536,323</u></u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$51,438	\$36,262			\$87,700
Municipal Income Tax	707,285				707,285
Intergovernmental	41,229	94,876			136,105
Charges for Services	20,185	181,131		\$221	201,537
Fines, Licenses and Permits	40,413	1,450			41,863
Earnings on Investments	822	103		4	929
Donations		15,324			15,324
Miscellaneous	8,165	14,597			22,762
<i>Total Cash Receipts</i>	<u>869,537</u>	<u>343,743</u>	<u>\$0</u>	<u>225</u>	<u>1,213,505</u>
Cash Disbursements					
Current:					
Security of Persons and Property	424,135	183,443			607,578
Public Health Services	5,728	52,724		4	58,456
Leisure Time Activities	27,429	6,391			33,820
Community Environment	15,651				15,651
Transportation		183,068			183,068
General Government	210,519	417			210,936
Capital Outlay		27,518			27,518
Debt Service:					
Principal Retirement		18,851			18,851
<i>Total Cash Disbursements</i>	<u>683,462</u>	<u>472,412</u>	<u>0</u>	<u>4</u>	<u>1,155,878</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>186,075</u>	<u>(128,669)</u>	<u>0</u>	<u>221</u>	<u>57,627</u>
Other Financing Receipts (Disbursements)					
Sale of Capital Assets	6,108				6,108
Transfers In		162,709			162,709
Transfers Out	(162,709)				(162,709)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(156,601)</u>	<u>162,709</u>	<u>0</u>	<u>0</u>	<u>6,108</u>
<i>Net Change in Fund Cash Balances</i>	29,474	34,040	0	221	63,735
<i>Fund Cash Balances, January 1</i>	<u>329,606</u>	<u>255,759</u>	<u>8,723</u>	<u>60,121</u>	<u>654,209</u>
Fund Cash Balances, December 31					
Nonspendable				60,121	60,121
Restricted		290,160	8,723	221	299,104
Assigned	170,792				170,792
Unassigned (Deficit)	188,288	(361)			187,927
<i>Fund Cash Balances, December 31</i>	<u>\$359,080</u>	<u>\$289,799</u>	<u>\$8,723</u>	<u>\$60,342</u>	<u>\$717,944</u>

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Types	Fiduciary Fund Types	(Memorandu m Only)
	Enterprise	Agency	
Operating Cash Receipts			
Charges for Services	\$856,111		\$856,111
Fines, Licenses and Permits		\$15,196	15,196
<i>Total Operating Cash Receipts</i>	<u>856,111</u>	<u>15,196</u>	<u>871,307</u>
Operating Cash Disbursements			
Personal Services	188,868		188,868
Employee Fringe Benefits	37,020		37,020
Contractual Services	308,422		308,422
Supplies and Materials	69,523		69,523
Other	6,651	15,196	21,847
<i>Total Operating Cash Disbursements</i>	<u>610,484</u>	<u>15,196</u>	<u>625,680</u>
<i>Operating Income (Loss)</i>	<u>245,627</u>	<u>0</u>	<u>245,627</u>
Non-Operating Receipts (Disbursements)			
Sale of Capital Assets	1,174		1,174
Miscellaneous Receipts	3,718		3,718
Capital Outlay	(14,733)		(14,733)
Principal Retirement	(182,825)		(182,825)
Interest and Other Fiscal Charges	(21,940)		(21,940)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(214,606)</u>	<u>0</u>	<u>(214,606)</u>
<i>Income (Loss) before Transfers</i>	31,021	0	31,021
Transfers In	9,600		9,600
Transfers Out	(9,600)		(9,600)
<i>Net Change in Fund Cash Balances</i>	31,021	0	31,021
<i>Fund Cash Balances, January 1</i>	<u>527,642</u>	<u>0</u>	<u>527,642</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$558,663</u></u>	<u><u>\$0</u></u>	<u><u>\$558,663</u></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, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

The Village participates in Public Entity Pool of Ohio. Note 9 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.

B. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. 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.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. 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:

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

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

Emergency Medical Service Fund – This fund receives charges for services revenue to cover emergency medical service costs.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had one capital project fund:

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

4. Permanent Funds

These funds account for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following significant permanent fund:

Cemetery Endowment Fund – This fund receives interest earned on the nonexpendable corpus from a trust agreement. These earnings are used for the general maintenance and upkeep of the Village's cemetery.

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds

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

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. 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 2015 and 2014 budgetary activity appears in Note 3.

F. 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:

1. Nonspendable

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

2. 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.

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

3. 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.

4. Assigned

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

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. 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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015	2014
Demand deposits	\$67,807	\$163,771
Certificates of deposit	78,403	77,800
Other time deposits (savings and NOW accounts)	984,719	1,035,036
Total deposits	\$1,130,929	\$1,276,607

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2015 and 2014 (including audit adjustments) follows:

2015 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$817,085	\$825,500	\$8,415
Special Revenue	442,985	452,744	9,759
Enterprise	801,100	1,038,875	237,775
Agency	15,500	11,583	(3,917)
Permanent	0	25	25
Total	<u>\$2,076,670</u>	<u>\$2,328,727</u>	<u>\$252,057</u>

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$954,009	\$906,762	\$47,247
Special Revenue	866,797	499,700	367,097
Enterprise	1,109,410	1,063,400	46,010
Agency	15,500	11,583	3,917
Permanent	20	4	16
Total	<u>\$2,945,736</u>	<u>\$2,481,449</u>	<u>\$464,287</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$548,977	\$875,645	\$326,668
Special Revenue	1,019,795	506,452	(513,343)
Enterprise	846,100	870,603	24,503
Agency	15,500	15,196	(304)
Permanent	0	225	225
Total	<u>\$2,430,372</u>	<u>\$2,268,121</u>	<u>(\$162,251)</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$718,042	\$850,303	(\$132,261)
Special Revenue	1,330,804	474,904	855,900
Enterprise	986,575	831,631	154,944
Agency	15,500	15,196	304
Permanent	0	4	(4)
Total	<u>\$3,050,921</u>	<u>\$2,172,038</u>	<u>\$878,883</u>

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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 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.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA - Salem-Leetonia Waterline Project	\$382,381	1.000%
Ambulance Note	35,837	3.450%
Total	<u>\$425,938</u>	

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

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

All other debt obligations are collateralized by the Village's taxing authority and are anticipations of collections of current revenue in accordance with Ohio Revised Code Section 133.10 (B).

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT – (Continued)

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

Year ending December 31:	OWDA Loan	Ambulance Note
2016	\$19,021	\$18,851
2017	19,021	18,851
2018	19,021	
2019	19,021	
2020	19,021	
2021-2025	95,103	
2026-2030	95,103	
2031-2035	95,103	
2036-2038	47,551	
Total	\$427,965	\$37,702

7. RETIREMENT SYSTEMS

The Village’s full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans’ benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. The rates are as follows:

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OP&F- full time police</i>	<i>July 1, 2013- June 30, 2014</i>	<i>10.75%</i>	<i>19.5%</i>
<i>OP&F- full time police</i>	<i>July 1, 2014- June 30, 2015</i>	<i>11.5%</i>	<i>19.5%</i>
<i>OP&F- full time police</i>	<i>July 1, 2015- June 30, 2016</i>	<i>12.25%</i>	<i>19.5%</i>
<i>PERS – Local</i>	<i>2008-2015</i>	<i>10%</i>	<i>14%</i>

The Village has paid all contributions required through December 31, 2015.

8. RISK MANAGEMENT

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

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

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

**VILLAGE OF LEETONIA
COLUMBIANA COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Continued)**

8. RISK MANAGEMENT – (Continued)

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2015, PEP retained \$350,000 for casualty claims and \$100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015 (the latest information available):

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately \$11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$18,000.

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

Contributions to PEP

	<u>2014</u>	<u>2015</u>
	\$26,679	\$27,815

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



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Leetonia, Columbiana County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated December 23, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. We consider finding 2015-001 described in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2015-002 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-001 and 2015-003.

Entity's Response to Findings

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

December 23, 2016

VILLAGE OF LEETONIA
COLUMBIANA COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2015 AND 2014

1. Ohio Rev. Code § 5705.42 – On Behalf Transactions

<i>Finding Number</i>	2015-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

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

Sound financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to readers of the financial statements is complete and accurate.

The Village entered into an agreement with the State of Ohio Community Development Block Grant (CDBG) in 2015 for an aeration system for the Village's Water Plant. Under this agreement, the State provided \$66,300 in funding for the aeration system with the balance of the project being funded by the Village and Columbiana County. The State of Ohio remitted \$66,300 of CDBG funding to the Village in 2015. This funding was passed on to the Columbiana County Development Agency as administrative agent and not recorded in the Village's accounting records. The activity has been recorded in the accompanying financial statements.

The Village also entered into an agreement with the Ohio Public Works Commission (OPWC) in 2013 for the replacement of the wastewater treatment plant grit chamber. Under this agreement the Village was awarded \$220,255 in grants and loans to complete the project. Of this amount, \$157,336 was expended by OPWC directly to the vendor in 2015. These on behalf payments made by OPWC were not recorded in the Village's accounting records for 2015. The activity has been recorded in the accompanying financial statements.

The Village should establish procedures to ensure all transactions made by or on behalf of the Village are accurately and completely recorded in the accounting records.

Official's Response:

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

2. GASB 54 Fund Balance Classifications

<i>Finding Number</i>	2015-002
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SIGNIFICANT DEFICIENCY

Governmental Accounting Standards Board (GASB) Statement No. 54 provides clear fund balance classifications that should be consistently applied. The Village's financial statements follow GASB 54; however, they did not use proper classifications for all of their fund balances.

The 2015 and 2014 General Fund balance was classified entirely as unassigned. However, \$103,111 and \$170,792, respectively should have been classified as assigned due to the subsequent year's appropriations exceeding the estimated receipts by this amount. In addition, fund balances in five trust funds were classified entirely as restricted instead of reporting the principle amounts as nonspendable. These reclassifications have been made to the accompanying financial statements.

The Village should adopt policies and procedures to ensure fund balances are properly classified in accordance with GASB 54. Additional guidance is also available in GASB codification 1800.176.

Official's Response:

The Village of Leetonia accepts this finding. The Village will ensure that it adopts policies that will ensure necessary compliance with GASB 54. The Village will properly classify all funds accordingly.

3. Finding for Recovery Repaid Under Audit – Former Police Chief John Soldano

<i>Finding Number</i>	2015-003
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NONCOMPLIANCE

John Soldano served as police chief for the Village of Leetonia and retired from this position in October 2015. As a Village employee, Chief Soldano was required to take leave time for hours that he did not work.

During the period January 1, 2012 through December 31, 2013, Village dispatch logs indicated Chief Soldano did not work 214.25 hours for which he was paid and his leave time balances were not reduced. An additional 44 hours of leave requests were submitted by Chief Soldano; however, the leave time was not deducted from his balance. The sum of these hours resulted in overpayment of unused leave balance to Chief Soldano upon retirement totaling \$1,716.49.

Chief Soldano also controlled two Village bank accounts previously unknown to the Village Fiscal Officer. The accounts were referred to as the "Fundraising account" and the "Care and Share account". Chief Soldano issued 21 checks totaling \$14,200.00 payable to himself from the two accounts. The payments were not supported by documentation indicating the funds were for proper Village purposes and were not authorized by the Village.

Finding Number - 2015-003
Continued

In accordance with the foregoing facts and pursuant to Ohio Revised Code Section 117.28, a finding for recovery for public monies illegally expended is hereby issued in the amount of \$15,916.49 against John Soldano, in favor of the Village of Leetonia.

The above finding for recovery was repaid on January 17, 2017.

Official's Response:

The Village of Leetonia accepts this finding. The Village will adopt policy to better protect against fraud and abuse. The Village will adopt policy and implement control measures in accounting for time off and time worked. In addition, the Village will adopt policy to ensure that all accounts are reported to the fiscal officer and accounted for.

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VILLAGE OF LEETONIA

COLUMBIANA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JUNE 8, 2017