



**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 1999-1998



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**VILLAGE OF LEIPSIC
TABLE OF CONTENTS**

TITLE	PAGE
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1999	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1999	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 1998	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – Proprietary Fund Type – For the Year Ended December 31, 1998	6
Notes to the Financial Statements	7
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Findings	17

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REPORT OF INDEPENDENT ACCOUNTANTS

Village of Leipsic
Putnam County
215 South Belmore Street
Leipsic, Ohio 45856-1404

To the Village Council:

We have audited the accompanying financial statements of the Village of Leipsic, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2000 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the finance committee, management, and Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

Jim Petro
Auditor of State

August 22, 2000

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**VILLAGE OF LEIPSIC
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$521,400	\$62,323		\$583,723
Intergovernmental Receipts	94,301	81,421	\$308,283	484,005
Charges for Services	24,048	11,542		35,590
Fines, Licenses, and Permits	9,461	660		10,121
Miscellaneous	24,236	81,041	2,244	107,521
	<u>673,446</u>	<u>236,987</u>	<u>310,527</u>	<u>1,220,960</u>
Total Cash Receipts				
	<u>673,446</u>	<u>236,987</u>	<u>310,527</u>	<u>1,220,960</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	134,999	75,672		210,671
Public Health Services	1,748			1,748
Leisure Time Activities	54,298			54,298
Community Environment	6,944			6,944
Transportation		145,341		145,341
General Government	149,979	2,455		152,434
Capital Outlay	27,087	299,164	596,937	923,188
	<u>375,055</u>	<u>522,632</u>	<u>596,937</u>	<u>1,494,624</u>
Total Disbursements				
	<u>375,055</u>	<u>522,632</u>	<u>596,937</u>	<u>1,494,624</u>
Total Receipts Over/(Under) Disbursements	<u>298,391</u>	<u>(285,645)</u>	<u>(286,410)</u>	<u>(273,664)</u>
Other Financing Receipts/(Disbursements):				
Sale of Bonds			175,000	175,000
Other Proceeds from Sale of Public Debt			105,915	105,915
Transfers-In		213,000		213,000
Transfers-Out	(338,000)			(338,000)
Other Uses	(2,690)			(2,690)
	<u>(340,690)</u>	<u>213,000</u>	<u>280,915</u>	<u>153,225</u>
Total Other Financing Receipts/(Disbursements)				
	<u>(340,690)</u>	<u>213,000</u>	<u>280,915</u>	<u>153,225</u>
Excess of Cash Disbursements and Other Financing Disbursements Over Cash Receipts and Other Financing Receipts	<u>(42,299)</u>	<u>(72,645)</u>	<u>(5,495)</u>	<u>(120,439)</u>
Fund Cash Balances, January 1	<u>90,078</u>	<u>82,684</u>	<u>(143,742)</u>	<u>29,020</u>
Fund Cash Balances, December 31	<u><u>\$47,779</u></u>	<u><u>\$10,039</u></u>	<u><u>(\$149,237)</u></u>	<u><u>(\$91,419)</u></u>

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

**VILLAGE OF LEIPSIC
 COMBINED STATEMENT OF CASH RECEIPTS, CASH
 DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1999**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$1,015,253
Miscellaneous	1,528
	1,016,781
Total Operating Cash Receipts	1,016,781
Operating Cash Disbursements:	
Personal Services	333,214
Travel Transportation	1,676
Contractual Services	268,145
Supplies and Materials	78,101
Capital Outlay	64,989
	746,125
Total Operating Cash Disbursements	746,125
Operating Income	270,656
Non-Operating Cash Disbursements:	
Debt Service	450,860
Excess of Disbursements Over Receipts Before Interfund Transfers	(180,204)
Transfers-In	125,000
Net Disbursements Over Receipts	(55,204)
Fund Cash Balances, January 1	265,816
Fund Cash Balances, December 31	\$210,612

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

**VILLAGE OF LEIPSIC
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$570,317	\$52,443		\$622,760
Intergovernmental Receipts	96,244	149,515	\$788,386	1,034,145
Charges for Services	25,184	22,850	64	48,098
Fines, Licenses, and Permits	22,878	8,049		30,927
Miscellaneous	78,341	18,640	7,410	104,391
	<u>792,964</u>	<u>251,497</u>	<u>795,860</u>	<u>1,840,321</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	96,551	124,207		220,758
Public Health Services	657			657
Leisure Time Activities	62,434			62,434
Community Environment	21,954			21,954
Transportation		145,492		145,492
General Government	159,709			159,709
Debt Service	49,222			49,222
Capital Outlay	55,558	118,478	2,381,137	2,555,173
	<u>446,085</u>	<u>388,177</u>	<u>2,381,137</u>	<u>3,215,399</u>
Total Disbursements	<u>446,085</u>	<u>388,177</u>	<u>2,381,137</u>	<u>3,215,399</u>
Total Receipts Over/(Under) Disbursements	<u>346,879</u>	<u>(136,680)</u>	<u>(1,585,277)</u>	<u>(1,375,078)</u>
Other Financing Receipts/(Disbursements):				
Proceeds from Sale of Public Debt			1,576,751	1,576,751
Transfers-In		165,000	232,651	397,651
Transfers-Out	(422,151)			(422,151)
	<u>(422,151)</u>	<u>165,000</u>	<u>1,809,402</u>	<u>1,552,251</u>
Total Other Financing Receipts/(Disbursements)	<u>(422,151)</u>	<u>165,000</u>	<u>1,809,402</u>	<u>1,552,251</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(75,272)	28,320	224,125	177,173
Fund Cash Balances, January 1	<u>165,350</u>	<u>54,364</u>	<u>(367,867)</u>	<u>(148,153)</u>
Fund Cash Balances, December 31	<u>\$90,078</u>	<u>\$82,684</u>	<u>(\$143,742)</u>	<u>\$29,020</u>

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

**VILLAGE OF LEIPSIC
 COMBINED STATEMENT OF CASH RECEIPTS, CASH
 DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
 PROPRIETARY FUND TYPE
 FOR THE YEAR ENDED DECEMBER 31, 1998**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$902,695
Miscellaneous	13,318
	916,013
Total Operating Cash Receipts	916,013
Operating Cash Disbursements:	
Personal Services	294,679
Travel Transportation	2,361
Contractual Services	182,483
Supplies and Materials	54,037
Capital Outlay	122,739
	656,299
Total Operating Cash Disbursements	656,299
Operating Income	259,714
Non-Operating Cash Receipts:	
Intergovernmental Receipts	60,561
Miscellaneous	1,513
	62,074
Total Non-Operating Cash Receipts	62,074
Non-Operating Cash Disbursements:	
Debt Service	403,268
Excess of Disbursements Over Receipts Before Interfund Transfers	(81,480)
Transfers-In	24,500
Net Disbursements Over Receipts	(56,980)
Fund Cash Balances, January 1	322,796
Fund Cash Balances, December 31	\$265,816

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

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Leipsic, Putnam County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, park operations (leisure time activities), and police and fire services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

The Village had no investments during the audit period.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

Fire Levy Fund -This fund receives tax money levied for the operations of the fire department.

COPS Grant Fund - The Village received grant money in 1998 to help finance police operations.

3. Capital Project Funds

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

Capital Project Fund - This fund receives various grants and debt proceeds to finance construction and improvements within the Village.

Capital Project Development Fund - This fund receives grants and debt proceeds to finance the construction of the wastewater treatment plant and block grant projects.

4. Enterprise Funds

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

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

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

E. Budgetary Process

The Ohio Revised Code requires that each fund 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 Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

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

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. The Village did not encumber all commitments required by Ohio law.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31 was as follows:

	<u>1999</u>	<u>1998</u>
Demand deposits	\$ 119,191	\$ 294,836

Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

At various times during 1998 and 1999, deposits were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 667,669	\$ 673,446	\$ 5,777
Special Revenue	617,775	449,987	(167,788)
Capital Projects	967,000	591,442	(375,558)
Enterprise	1,196,100	1,141,781	(54,319)
Total	\$ 3,448,544	\$ 2,856,656	\$ (591,888)

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

1999 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 756,165	\$ 715,745	\$ 40,420
Special Revenue	667,240	522,632	144,608
Capital Projects	953,000	596,937	356,063
Enterprise	<u>1,095,800</u>	<u>1,196,985</u>	<u>(101,185)</u>
Total	<u>\$ 3,472,205</u>	<u>\$ 3,032,299</u>	<u>\$ 439,906</u>

1998 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 931,433	\$ 792,964	\$ (138,469)
Special Revenue	350,033	416,497	66,464
Capital Projects	2,967,867	2,605,262	(362,605)
Enterprise	<u>1,063,850</u>	<u>1,002,587</u>	<u>(61,263)</u>
Total	<u>\$ 5,313,183</u>	<u>\$ 4,817,310</u>	<u>\$ (495,873)</u>

1998 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 527,848	\$ 868,236	\$ (340,388)
Special Revenue	356,977	388,177	(31,200)
Capital Projects	2,597,000	2,381,137	215,863
Enterprise	<u>968,820</u>	<u>1,059,567</u>	<u>(90,747)</u>
Total	<u>\$ 4,450,645</u>	<u>\$ 4,697,117</u>	<u>\$ (246,472)</u>

4. COMPLIANCE

In some instances, the Village did not certify funds as required by Ohio Revised Code § 5705.41(D).

Expenditures exceeded appropriations at the fund, function and object level of control, in several accounts during 1998 and 1999, and in the following funds at year end, by the amounts listed:

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

December 31, 1999		December 31, 1998	
Issue II Capital Project Fund	\$43,998	General Fund	\$340,388
Water Revenue Fund	76,892	Street Construction, Maintenance and Repair Fund	72,427
Water Debt Fund	8,650	Law Enforcement Fund	5,967
Wastewater Debt Fund	33,610	Wastewater Treatment Plant Capital Project Fund	131,877
		Water Treatment Plant Capital Project Fund	6,466
		Water Revenue Fund	148,527

At various times during 1998 and 1999, negative cash fund balances, ranging from \$2,760 to \$226,829 existed in the street construction, maintenance and repair fund, fire fund, capital projects improvement fund, capital projects development fund, capital projects water treatment plant fund, water fund, and wastewater debt funds. In addition, the following funds had negative cash fund balances at year end:

Fund	December 31, 1999	December 31, 1998
Capital Projects Improvement Fund	\$59,016	\$146,771
Capital Projects Development Fund	93,221	

The Village plans to eliminate these deficits with grant monies, that could not be applied for until the actual expenditure had been made, securing additional debt, or through future collections of Village income tax monies.

The Village received a \$56,637 COPS Grant in 1998 that was accounted for in the General Fund, rather than establishing a separate Special Revenue Fund for this activity.

5. PROPERTY TAX

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

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

6. DEBT

Debt outstanding at December 31, 1999 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan #1	\$ 853,716	7.89%
Ohio Water Development Authority Loan #2	2,104,201	4.12%
Ohio Public Works Commission Loan #1	99,299	0%
Ohio Public Works Commission Loan #2	103,268	0%
Sewer System Improvement Bond	150,000	4.15%
Waterworks System Mortgage Revenue Bonds	<u>2,332,000</u>	5.00%
Total	<u>\$ 5,642,484</u>	

All of the above debt issues were issued to finance utility construction and improvements within the Village.

The Ohio Water Development Authority (OWDA) loan #2 is for improvements to the wastewater treatment system. The OWDA approved up to \$2,300,004 in loans to the Village for this project in 1997. The loans will be repaid in semiannual installments of \$84,967 including interest, over 20 years.

The Waterworks System Mortgage Revenue Bonds relate to improvements to the Village's waterworks system. The United States Department of Agriculture approved \$2,371,000 in loans to the Village for this project. The loans are being repaid in semiannual installments over 40 years.

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

<u>Year ending December 31:</u>	<u>OWDA Loans</u>	<u>OPWC Loans</u>	<u>Sewer System Improvement Bond</u>	<u>Mortgage Revenue Bonds</u>
2000	\$ 270,879	\$ 11,916	\$ 31,225	\$ 138,600
2001	270,879	11,916	30,188	138,500
2002	270,879	11,916	29,150	138,350
2003	270,879	11,916	78,113	138,150
2004	270,879	11,916		137,900
Subsequent	<u>3,083,152</u>	<u>142,987</u>		<u>4,560,250</u>
Total	<u>\$ 4,437,547</u>	<u>\$ 202,567</u>	<u>\$ 168,676</u>	<u>\$ 5,251,750</u>

**VILLAGE OF LEIPSIC
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998**

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 1999 and 1998, members of PFDPF contributed 10% of their wages to the PFDPF. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries. The Village has paid all contributions required through December 31, 1999.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

- Buildings and personal property
- Commercial inland marine
- Valuable papers and records
- Commercial computer
- Contractor's equipment floater

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 Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- Legal liability - Third party claims
- Vehicle liability
- Wrongful acts coverage
- Law enforcement operations

The Village also provides health and term life insurance to all non-seasonal employees working more than twenty hours per week through a private carrier.

9. OUTSTANDING CONTRACTUAL COMMITMENTS

The Village had outstanding contractual commitments at December 31, 1999 in the amount of \$326,642 for the purchase of 2 fire trucks and the completion of a new fire station.

10. CONTINGENT LIABILITIES

The Village is defendant in a lawsuit seeking in excess of \$5,000,000 in damages. The Village's insurance is limited to coverage of \$2,000,000. The outcome of this suit and its affect on the Village is not presently determinable.

11. SUBSEQUENT EVENTS

On February 21, 2000, the Village approved the issuance of \$775,000 in note debt to finance sanitary sewer improvements. The proceeds were received on June 13, 2000.

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Village of Leipsic
Putnam County
215 South Belmore Street
Leipsic, Ohio 45856-1404

To the Village Council:

We have audited the accompanying financial statements of the Village of Leipsic, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated August 22, 2000. We conducted our audits in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed several instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 1999-30269-001, 1999-30269-002, 1999-30269-003, 1999-30269-004 and 1999-30269-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 22, 2000.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated August 22, 2000.

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

Jim Petro
Auditor of State

August 22, 2000

**VILLAGE OF LEIPSIC
SCHEDULE OF FINDINGS
DECEMBER 31, 1999 AND 1998**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 1999-30269-001

Noncompliance Citation

Ohio Revised Code § 135.18 states that the treasurer of a political subdivision must require the depository to provide as security an amount equal to the funds on deposit at all times.

Although all deposits were adequately protected at year end, the Village's deposits exceeded depository insurance and pledged collateral at several times during the audit period, in amounts ranging from \$18,993 to \$75,364.

It is recommended that the Village monitor deposits and collateral and request additional collateral prior to making deposits over the current level of collateral.

FINDING NUMBER 1999-30269-002

Noncompliance Citation

Ohio Revised Code § 5705.10 states that money paid into any fund shall be used only for the purposes for which the fund was established.

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit fund balance. At various times during 1998 and 1999, negative cash fund balances, ranging from \$2,760 to \$226,829, existed in the street construction, maintenance and repair fund, fire fund, capital projects improvement fund, capital projects development fund, capital projects water treatment plant fund, water fund, and wastewater debt funds. In addition, the following funds had negative cash fund balances at year end:

<u>Fund</u>	<u>December 31, 1999</u>	<u>December 31, 1998</u>
Capital Projects Improvement Fund	\$59,016	\$146,771
Capital Projects Development Fund	93,221	

It is recommended that the Village monitor planned expenditures and available cash balances and make transfers or advances, or obtain short term financing to avoid these deficits.

FINDING NUMBER 1999-30269-003

Noncompliance Citation

Ohio Revised Code § 5705.40 allows the legislative authority to amend appropriations as long as they follow the same procedures that were used to approve the original appropriations. Ohio Revised Code § 5705.41(B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

**FINDING NUMBER 1999-30269-003
 (Continued)**

The Village did not amend appropriations until after year end, as a result, expenditures exceeded appropriations at the fund, function and object level of control, in several accounts throughout the audit period and in the following funds at year end, by the amounts listed:

December 31, 1999		December 31, 1998	
Issue II Capital Project Fund	\$43,998	General Fund	\$340,388
Water Revenue Fund	76,892	Street Construction, Maintenance and Repair Fund	72,427
Water Debt Fund	8,650	Law Enforcement Fund	5,967
Wastewater Debt Fund	33,610	Wastewater Treatment Plant Capital Project Fund	131,877
		Water Treatment Plant Capital Project Fund	6,466
		Water Revenue Fund	148,527

The accompanying budgetary disclosures have been adjusted to reflect only those appropriations that were approved during the fiscal year.

It is recommended that the Village monitor appropriations to ensure they are sufficient to support planned expenditures and make any adjustments necessary to ensure expenditures do not exceed appropriations.

FINDING NUMBER 1999-30269-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states that no subdivision or taxing unit shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.

**FINDING NUMBER 1999-30269-004
(Continued)**

- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

Thirty percent of the transactions tested did not receive prior certification nor were they certified using a then-and-now certification. Certification is not only required by Ohio law but is also a key control in the disbursement process to assure that purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expended or exceeding budgetary spending limitations as set by Council.

To improve controls over disbursements it is recommended that all Village disbursements, receive prior certification of the Clerk and that the Council periodically review the expenditures made to ensure they are within appropriations adopted by the Council certified by the Clerk and recorded against appropriations.

FINDING NUMBER 1999-30269-005

Noncompliance Citation

Ohio Revised Code § 5705.09(F) requires a special fund for each class of revenues derived from a source other than general property tax, which the law requires to be used for a particular purpose.

The Village received a \$56,637 COPS Grant in 1998 that was accounted for in the General Fund, rather than establishing a separate Special Revenue Fund for this activity. The accompanying financial statements have been adjusted to reflect this activity in the Special Revenue Fund Type.



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VILLAGE OF LEIPSIC

PUTNAM 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
SEPTEMBER 12, 2000**