



**Auditor of State
Betty Montgomery**

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2003.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2002.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - Proprietary Fund Type - For the Year Ended December 31, 2002.....	6
Notes to the Financial Statements.....	7
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	17
Schedule of Findings.....	19
Schedule of Prior Audit Findings	22

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Leipsic
Putnam County
142 East Main Street
Leipsic, Ohio 45856-1427

To the Village Council:

We have audited the accompanying financial statements of the Village of Leipsic, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

Betty Montgomery
Auditor of State

September 14, 2004

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 180,356	\$ 74,738		\$ 255,094
Municipal Income Taxes	1,749,464			1,749,464
Intergovernmental Receipts	90,385	87,741	\$ 21,500	199,626
Charges for Services	28,582	36,705		65,287
Fines, Licenses, and Permits	30,310	554		30,864
Earnings on Investments		114		114
Miscellaneous	64,641	1,088		65,729
Total Cash Receipts	2,143,738	200,940	21,500	2,366,178
Cash Disbursements:				
Current:				
Security of Persons and Property	177,981	65,198		243,179
Public Health Services	2,642			2,642
Leisure Time Activities	73,274			73,274
Community Environment	78,882			78,882
Basic Utility Services	1,295	330		1,625
Transportation		228,525		228,525
General Government	357,127			357,127
Debt Service:				
Principal Payments	658,500			658,500
Interest Payments	41,943			41,943
Capital Outlay		241,715	58,771	300,486
Total Cash Disbursements	1,391,644	535,768	58,771	1,986,183
Total Receipts Over/(Under) Disbursements	752,094	(334,828)	(37,271)	379,995
Other Financing Receipts and (Disbursements):				
Sale of Notes	400,000			400,000
Transfers-In		466,050	51,297	517,347
Other Financing Sources			275	275
Transfers-Out	(817,347)			(817,347)
Other Financing Uses	(65,079)			(65,079)
Total Other Financing Receipts/(Disbursements)	(482,426)	466,050	51,572	35,196
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	269,668	131,222	14,301	415,191
Fund Cash Balances, January 1	(118,975)	(115,407)	(10,985)	(245,367)
Fund Cash Balances, December 31	\$ 150,693	\$ 15,815	\$ 3,316	\$ 169,824
Reserves for Encumbrances, December 31	\$ 7,379	\$ 4,303	\$ 29,782	\$ 41,464

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 992,915
Fines, License and Permits	4,440
Miscellaneous	1,634
	998,989
Operating Cash Disbursements:	
Personal Services	453,952
Travel Transportation	2,020
Contractual Services	247,629
Supplies and Materials	91,545
Capital Outlay	142,132
	937,278
Total Operating Cash Disbursements	937,278
Operating Income	61,711
Non-Operating Cash Receipts:	
Property and Other Local Taxes	64,797
Intergovernmental Receipts	25,131
Other Non-Operating Receipts	6,375
	96,303
Total Non-Operating Cash Receipts	96,303
Non-Operating Cash Disbursements:	
Debt Service	
Redemption of Principal	161,082
Interest and Other Fiscal Charges	221,716
Other Non-Operating Cash Disbursements	23,142
	405,940
Total Non-Operating Cash Disbursements	405,940
Excess of Disbursements Over Receipts Before Interfund Transfers	(247,926)
Transfers-In	300,000
	52,074
Net Receipts Over Disbursements	52,074
Fund Cash Balances, January 1	231,111
	231,111
Fund Cash Balances, December 31	\$ 283,185
Reserve for Encumbrances, December 31	\$ 8,075

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Other Local Taxes	\$ 129,495	\$ 52,494		\$ 181,989
Municipal Income Taxes	814,934			814,934
Intergovernmental Receipts	159,805	91,196		251,001
Charges for Services	56,450	15,859		72,309
Fines, Licenses, and Permits	10,947	529		11,476
Earnings on Investments	1,774			1,774
Miscellaneous	123,098	77		123,175
Total Cash Receipts	1,296,503	160,155		1,456,658
Cash Disbursements:				
Current:				
Security of Persons and Property	176,757	68,936		245,693
Public Health Services	1,677			1,677
Leisure Time Activities	62,836			62,836
Community Environment	10,703			10,703
Basic Utility Services	3,495			3,495
Transportation		260,330		260,330
General Government	354,474			354,474
Debt Service:				
Principal Payments	196,000			196,000
Interest Payments	42,270			42,270
Capital Outlay	534,467	250,479	\$ 35,750	820,696
Total Cash Disbursements	1,382,679	579,745	35,750	1,998,174
Total Disbursements Over Receipts	(86,176)	(419,590)	(35,750)	(541,516)
Other Financing Receipts and (Disbursements):				
Sale of Notes	850,000			850,000
Transfers-In		437,300	100,888	538,188
Transfers-Out	(839,238)			(839,238)
Other Financing Uses	(51,308)			(51,308)
Total Other Financing Receipts/(Disbursements)	(40,546)	437,300	100,888	497,642
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(126,722)	17,710	65,138	(43,874)
Fund Cash Balances, January 1	7,747	(133,117)	(76,123)	(201,493)
Fund Cash Balances, December 31	(118,975)	(115,407)	(10,985)	(245,367)
Reserves for Encumbrances, December 31	\$ 10,665	\$ 59,841		\$ 70,506

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$ 1,011,632
Miscellaneous	3,000
Total Operating Cash Receipts	1,014,632
Operating Cash Disbursements:	
Personal Services	428,787
Travel Transportation	3,561
Contractual Services	296,328
Supplies and Materials	82,724
Capital Outlay	113,454
Total Operating Cash Disbursements	924,854
Operating Income	89,778
Non-Operating Cash Receipts:	
Property and Other Local Taxes	64,797
Intergovernmental Receipts	25,440
Total Non-Operating Cash Receipts	90,237
Non-Operating Cash Disbursements:	
Debt Service	
Redemption of Principal	223,095
Interest and Other Fiscal Charges	297,550
Total Non-Operating Cash Disbursements	520,645
Excess of Disbursements Over Receipts Before Interfund Transfers	(340,630)
Transfers-In	301,050
Net Disbursements Over Receipts	(39,580)
Fund Cash Balances, January 1	270,691
Fund Cash Balances, December 31	\$ 231,111

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of 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 water and sewer utilities, park operations, police services, 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. Fund Accounting

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

1. General Fund

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

2. Special Revenue Fund

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

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

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

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 Projects Fund - This fund receives various grants to finance construction and improvements within the Village.

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

Pool Capital Projects Fund - This fund receives donations and debt proceeds to finance the construction of the municipal pool.

4. Enterprise Funds

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

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

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

Wastewater Debt Fund - This fund receives charges for services from residents to pay for the debt issues relating to the wastewater facility.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

D. 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. 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 also approve estimated resources.

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

E. 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.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

2. EQUITY IN POOLED CASH

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

	2003	2002
Cash on Hand	\$ 110	\$ 110
Demand deposits	452,899	(14,366)
Total cash on hand and deposits	\$ 453,009	\$ (14,256)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,105,600	\$ 2,543,738	\$ 438,138
Special Revenue	438,500	666,990	228,490
Capital Projects	1,240,000	73,072	(1,166,928)
Enterprise	\$ 927,000	\$ 1,395,292	\$ 468,292
Total	\$ 4,711,100	\$ 4,679,092	\$ (32,008)

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,935,550	\$ 2,281,449	\$ (345,899)
Special Revenue	406,531	540,071	(133,540)
Capital Projects	228,750	88,553	140,197
Enterprise	1,402,583	1,351,293	51,290
Total	\$ 3,973,414	\$ 4,261,366	\$ (287,952)

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,343,070	\$ 2,146,503	\$ 803,433
Special Revenue	414,200	597,455	183,255
Capital Projects	96,138	100,888	4,750
Enterprise	1,243,000	1,405,919	162,919
Total	<u>\$ 3,096,408</u>	<u>\$ 4,250,765</u>	<u>\$ 1,154,357</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,192,335	\$ 2,283,890	\$ (1,091,555)
Special Revenue	266,190	639,586	(373,396)
Capital Projects	20,000	35,750	(15,750)
Enterprise	1,204,400	1,445,499	(241,099)
Total	<u>\$ 2,682,925</u>	<u>\$ 4,404,725</u>	<u>\$ (1,721,800)</u>

4. COMPLIANCE

Although there were no funds with deficit balances at December 31, 2003, there were numerous deficit cash balances throughout 2003 and 2002 in amounts ranging from \$2,171 to \$300,876. In addition, the following funds had deficit cash balances at December 31, 2002:

<u>Fund</u>	<u>Deficit Amount</u>
December 31, 2002:	
General	\$ 118,975
Fire Fund	125,987
Capital Projects-Issue II	10,985

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

Appropriations exceeded estimated revenues in the following funds at December 31, 2003:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriation</u>	<u>Variance</u>
December 31, 2003:			
Street Construction, Maintenance and Repair	\$ 230,150	\$ 270,500	\$ (40,350)
Wastewater Treatment	55,061	439,000	(383,939)

Expenditures exceeded appropriations in the following funds at year end:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
December 31, 2003:			
General	\$ 1,935,550	\$ 2,281,449	\$ (345,899)
State Highway Improvement	5,700	5,828	(128)
Fire	112,742	307,061	(194,319)
Waste Water Treatment	439,000	554,874	(115,874)
December 31, 2002:			
General	1,192,335	2,283,890	(1,091,555)
Sreet Construction, Maintenace and Repair	200,350	254,116	(53,766)
Alcohol Law Enforcement	200	494	(294)
Fire	48,640	373,573	(324,933)
Water Operating	399,400	520,740	(121,340)
Waste Water Treatment	302,500	404,115	(101,615)
Waste Water Debt	364,000	382,295	(18,295)
Pool Improvement	20,000	24,750	(4,750)
Capital Projects - Issue II		11,000	(11,000)

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

Some Village transactions were not certified by the fiscal officer at the time the commitment was incurred and were not certified using a then and now certification. In addition, the Village had \$33,795 and \$70,506 in outstanding purchase commitments at December 31, 2003 and 2002, respectively that were not certified until 2004 and 2003.

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

6. 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.

7. DEBT

Debt outstanding at December 31, 2003 was as follows:

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

	Principal	Interest Rate
Ohio Water Development Authority Loan #1	\$ 724,507	7.00%
Ohio Water Development Authority Loan #2	1,779,530	4.12%
Ohio Public Works Commission CM72 5	72,819	
Ohio Public Works Commission CM21 B	82,084	
Ohio Public Works Commission CM24 D	119,700	
Sewer System Improvement Bond	75,000	4.15%
Sewer System Improvement Note	700,000	5.15%
Municipal Swimming Pool Note	288,000	5.50%
Waterworks System Mortgage Revenue Bonds	2,238,000	5.00%
Village Building Note	250,000	2.50%
Fire Station Note	150,000	3.50%
Fire Station Note	187,500	3.50%
Total	\$ 6,667,140	

The swimming pool, fire station, and village building notes were issued for purchase and improvement of those facilities all other debt issues were issued for construction and improvements of the Village's utility systems. Income tax revenues and utility system charges are being used to retire the debt. The Iams Company is providing funds to the Village for the retirement of OWDA Loan #2 as part of an agreement to extend utility service to the Company.

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

Year ending December 31:	OWDA Loans	OPWC Loans	Municipal Swimming Pool Note	Sewer System Improvement Note	Sewer System Improvement Bond	Waterworks System Revenue Bond	Village Building Note	Fire Station Notes
2004	\$ 264,431	\$ 9,378	\$ 110,520	\$ 60,406	\$ 76,556	\$ 137,900	\$ 105,625	\$ 123,329
2005	264,820	18,756	105,240	63,990		138,600	103,125	119,392
2006	265,241	18,756	99,960	62,445		138,200	50,625	115,454
2007	265,694	18,756		630,836		138,750		
2008	266,185	18,756				138,200		
2009 – 2013	1,339,726	93,778				691,300		
2014 – 2018	779,848	70,608				690,950		
2019 – 2023		25,816				689,550		
2024 – 2028						691,300		
2029 – 2033						690,650		
2034 – 2037						552,750		
Total	\$ 3,445,945	\$ 274,604	\$ 315,720	\$ 817,677	\$ 76,556	\$ 4,698,150	\$ 259,375	\$ 358,175

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

8. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, OP&F participants contributed 10 percent of their wages. The Village contributed an amount equal to 19.5 percent of police participant wages. Members of OPERS contributed 8.5 percent of their wages. The Village contributed an amount equal to 13.55 percent of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

9. RISK MANAGEMENT

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. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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

The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

Casualty Coverage	2003	2002
Assets	\$ 25,288,098	\$ 20,174,977
Liabilities	(12,872,985)	(8,550,749)
Retained Earnings	<u>\$ 12,415,113</u>	<u>\$ 11,624,228</u>
Property Coverage	2003	2002
Assets	\$ 3,158,813	\$ 2,565,408
Liabilities	(792,061)	(655,318)
Retained Earnings	<u>\$ 2,366,752</u>	<u>\$ 1,910,090</u>



**Auditor of State
Betty Montgomery**

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

Village of Leipsic
Putnam County
142 East Main Street
Leipsic, Ohio 45856-1427

To the Village Council:

We have audited the accompanying financial statements of the Village of Leipsic, Putnam County, (the Village) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated September 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance which we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-004. We also noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated September 14, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the

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

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 the Village's management in a separate letter dated September 14, 2004.

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

Betty Montgomery
Auditor of State

September 14, 2004

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Noncompliance Citation

Ohio Revised Code § 5705.10 states 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 balance. Although there were no funds with deficit balances at December 31, 2003, there were numerous deficit cash balances throughout 2003 and 2002 in amounts ranging from \$2,171 to \$300,876. In addition, the following funds had deficit cash balances at December 31, 2002:

<u>Fund</u>	<u>Deficit Amount</u>
December 31, 2002:	
General	\$ 118,975
Fire Fund	125,987
Capital Projects-Issue II	10,985

We recommend the Village transfer or advance from the General Fund or reduce planned expenditures as necessary to avoid deficit balances.

FINDING NUMBER 2003-002

Noncompliance Citation

Ohio Revised Code § 5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditure.

Appropriations exceeded estimated revenues in the following funds at December 31, 2003:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
December 31, 2003:			
Street Construction, Maintenance and Repair	\$ 230,150	\$ 270,500	\$ (40,350)
Wastewater Treatment	55,061	439,000	(383,939)

FINDING NUMBER 2003-002
(Continued)

We recommend the Village review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the Village should modify appropriations or request an amended certificate, if new revenue sources are identified.

FINDING NUMBER 2003-003

Noncompliance Citation

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.

Expenditures exceeded appropriations in the following funds at year end:

Fund	Appropriation Authority	Budgetary Expenditures	Variance
December 31, 2003:			
General	\$ 1,935,550	\$ 2,281,449	\$ (345,899)
State Highway Improvement	5,700	5,828	(128)
Fire	112,742	307,061	(194,319)
Waste Water Treatment	439,000	554,874	(115,874)
December 31, 2002:			
General	1,192,335	2,283,890	(1,091,555)
Sreet Construction, Maintenance and Repair	200,350	254,116	(53,766)
Alcohol Law Enforcement	200	494	(294)
Fire	48,640	373,573	(324,933)
Water Operating	399,400	520,740	(121,340)
Waste Water Treatment	302,500	404,115	(101,615)
Waste Water Debt	364,000	382,295	(18,295)
Pool Improvement	20,000	24,750	(4,750)
Capital Projects - Issue II		11,000	(11,000)

The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

FINDING NUMBER 2003-004

Noncompliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract 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 encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

- 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$1000 (\$3000 effective April 7, 2003) the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, if such expenditure is otherwise valid.

Thirty-six percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, the Village had \$33,795 and \$70,506 in outstanding purchase commitments at December 31, 2003 and 2002, respectively that were not certified until 2004 and 2003. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

Certification is not only required by Ohio law but is a key control in the disbursements process to help assure 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 the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-30269-001	ORC § 135.18 Uninsured and uncollateralized deposited	Yes	
2001-30269-002	ORC § 5705.10 Deficit fund balances	No	This finding has not been corrected and is repeated in this report as finding 2003-001.
2001-30269-003	ORC § 5705.39 Appropriations exceeded estimated resources	No	This finding has not been corrected and is repeated in this report as finding 2003-002.
2001-30269-004	ORC § 5705.41(B) Expenditures exceeded appropriations	No	This finding has not been corrected and is repeated in this report as finding 2003-003.
2001-30269-005	ORC § 5705.41(D) Certification of funds	No	This finding has not been corrected and is repeated in this report as finding 2003-004.



**Auditor of State
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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
OCTOBER 18, 2004**