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VILLAGE OF LEESBURG  
HIGHLAND COUNTY  
REGULAR AUDIT  
YEARS ENDED DECEMBER 31, 2004 & 2003

*Whited Seigneur Sams & Rabe, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

*\*\* WSSR \*\**

213 South Paint Street • Chillicothe, Ohio 45601-3828  
(740) 702-2600 – Voice • (740) 702-2610 – Fax • [wssr@horizonview.net](mailto:wssr@horizonview.net)

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of Leesburg  
57 South Fairfield Street  
PO Box 305  
Leesburg, Ohio 45135

We have reviewed the *Report of Independent Auditor* of the Village of Leesburg, Highland County, prepared by Whited Seigneur Sams & Rahe, LLP, for the audit period January 1, 2003 to December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditor* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditor* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Leesburg is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 28, 2005

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VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO

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# *Whited Seigneur Sams & Rahe LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA  
Donald R. Seigneur, CPA  
John R. Sams, CPA

**\*\* WSSR \*\***

Barry L. Rahe, CPA  
Kathleen M. Alderman, CPA  
Nathan C. Baldwin, CPA

213 South Paint Street • Chillicothe, Ohio 45601-3828  
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net

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August 30, 2005

Village Of Leesburg  
Highland County  
57 South Fairfield Street  
P.O. Box 305  
Leesburg, OH 45135

## **Report of Independent Auditor**

We have audited the accompanying financial statements of Village of Leesburg, Highland County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003. 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 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 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 described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of the State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2004 and 2003, or its changes in financial position for the year ended.

The accompanying financial statements present current program disbursements by fund type totals only for 2003. Ohio Administrative Code, Section 117-2-02(A) requires governments to classify disbursement transactions.

In our opinion, except for the omission of current program disbursement classifications, 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, 2004 and 2003, and its combined cash receipts and disbursements or unclassified 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 a report dated August 30, 2005, 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 testing of internal controls over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of audits performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audits.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 285,765	\$ 0	\$ 0	\$ 285,765
Intergovernmental Receipts	65,236	58,626	0	123,862
Fines, Licenses, Permits and Fees	2,295	0	0	2,295
Charges for Services	2,741	0	0	2,741
Earnings on Investments	743	0	0	743
Miscellaneous	<u>5,084</u>	<u>0</u>	<u>0</u>	<u>5,084</u>
<b>TOTAL CASH RECEIPTS</b>	361,864	58,626	0	420,490
<b>CASH DISBURSEMENTS</b>				
Current				
Security of Persons and Property	160,823	0	0	160,823
Public Health Services	2,594	0	0	2,594
Basic Utility Services	132	0	0	132
Transportation	651	69,952	0	70,603
General Government	<u>123,389</u>	<u>4,131</u>	<u>0</u>	<u>127,520</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<u>287,589</u>	<u>74,083</u>	<u>0</u>	<u>361,672</u>
<b>TOTAL RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS</b>	74,275	(15,457)	0	58,818
<b>OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):</b>				
Transfers-In	0	22,022	0	22,022
Transfers-Out	(32,944)	0	0	(32,944)
Other Uses	<u>(102,667)</u>	<u>0</u>	<u>0</u>	<u>(102,667)</u>
<b>TOTAL OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)</b>	<u>(135,611)</u>	<u>22,022</u>	<u>0</u>	<u>(113,589)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	(61,336)	6,565	0	(54,771)
Fund Cash Balances, January 1	<u>351,688</u>	<u>32,763</u>	<u>4,478</u>	<u>388,929</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 290,352</u>	<u>\$ 39,328</u>	<u>\$ 4,478</u>	<u>\$334,158</u>
Reserves for Encumbrances, December 31	<u>\$ 1,051</u>	<u>\$ 332</u>	<u>\$ 0</u>	<u>\$ 1,383</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 367,624
Miscellaneous	<u>0</u>
Total Operating Cash Receipts	367,624
<b>Operating Cash Disbursements:</b>	
Personal Services	110,254
Employee Benefits	42,555
Contractual Services	129,517
Supplies and Materials	53,239
Capital Outlay	13,498
Miscellaneous	<u>0</u>
Total Operating Cash Disbursements	<u>349,063</u>
Operating Income/(Loss)	18,561
<b>Non-Operating Cash Receipts/Disbursements:</b>	
Miscellaneous	22,035
Debt Service:	
Redemption of Principal	(31,548)
Interest and Other Fiscal Charges	<u>(23,698)</u>
Total Non-Operating Cash Receipts/Disbursements	<u>(33,211)</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	(14,650)
Transfers – In	66,168
Transfers – Out	<u>(55,246)</u>
Net Receipts Over Disbursements	(3,728)
Fund Cash Balances, January 1	<u>75,409</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 71,681</u>
Reserve for Encumbrances, December 31	<u>\$ 948</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>CASH RECEIPTS</b>				
Property and Other Local Taxes	\$ 479,492	\$ 0	\$ 0	\$ 479,492
Intergovernmental Receipts	56,263	50,086	0	106,349
Fines, Licenses, Permits and Fees	0	0	0	0
Charges for Services	0	0	0	0
Earnings on Investments	890	0	0	890
Miscellaneous	<u>30,096</u>	<u>0</u>	<u>0</u>	<u>30,096</u>
<b>TOTAL CASH RECEIPTS</b>	566,741	50,086	0	616,827
<b>CASH DISBURSEMENTS</b>				
Current				
Unclassified Disbursements	<u>362,346</u>	<u>108,551</u>	<u>0</u>	<u>470,897</u>
<b>TOTAL CASH DISBURSEMENTS</b>	<u>362,346</u>	<u>108,551</u>	<u>0</u>	<u>470,897</u>
<b>TOTAL RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS</b>	204,395	(58,465)	0	145,930
<b>OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):</b>				
Transfers-In	0	28,210	0	28,210
Transfers-Out	<u>(36,859)</u>	<u>0</u>	<u>0</u>	<u>(36,859)</u>
<b>TOTAL OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)</b>	<u>(36,859)</u>	<u>28,210</u>	<u>0</u>	<u>(8,649)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	167,536	(30,255)	0	137,281
Fund Cash Balances, January 1	<u>184,152</u>	<u>63,018</u>	<u>4,478</u>	<u>251,648</u>
<b>Fund Cash Balances, December 31</b>	<u>\$ 351,688</u>	<u>\$ 32,763</u>	<u>\$ 4,478</u>	<u>\$388,929</u>
Reserves for Encumbrances, December 31	<u>\$ 5,501</u>	<u>\$ 654</u>	<u>\$ 0</u>	<u>\$ 6,155</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Enterprise</u>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$ 366,064
Miscellaneous	<u>0</u>
Total Operating Cash Receipts	366,064
<b>Operating Cash Disbursements:</b>	
Unclassified Disbursements	342,307
Contractual Services	<u>134,008</u>
Total Operating Cash Disbursements	<u>476,315</u>
Operating Income/(Loss)	(110,251)
<b>Non-Operating Cash Receipts/Disbursements:</b>	
Intergovernmental Revenues	134,008
Debt Service:	
Redemption of Principal	(50,679)
Interest and Other Fiscal Charges	<u>(30,762)</u>
Total Non-Operating Cash Receipts/Disbursements	<u>52,567</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	(57,684)
Transfers – In	97,127
Transfers – Out	<u>(88,478)</u>
Net Receipts Over Disbursements	(49,035)
Fund Cash Balances, January 1	<u>124,444</u>
<b>Fund Cash Balances, December 31</b>	<u><u>\$ 75,409</u></u>
Reserve for Encumbrances, December 31	<u><u>\$ 5,934</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Description of the Entity**

Village Of Leesburg, Highland County, Ohio (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 street maintenance, police protection, and water and sewer utilities.

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

- **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).

The Village did not classify current program disbursements in the accompanying financial statements in 2003. This is a material departure from the requirements of Ohio Administrative Code Section 117-02-02(A). This Administrative Code Section requires classifying disbursements.

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

- **Cash Deposits**

The Village maintains all funds in an interest-bearing checking account and a certificate of deposit with a local financial institution. The certificate of deposit is valued at cost. The village pools its cash deposits for investment purposes to capture the highest rate of return.

- **Fund Accounting**

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

- **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.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- **Special Revenue Funds** - 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.

State Highway Fund- This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining , and repairing state highways within the Village.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money levied by the Village for constructing, maintaining, and repairing Village streets.

- **Capital Project Fund**

This fund is 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 fund:

Street Improvement Fund – This fund is being used to account for improvements made to the Village's Streets. There was no activity in 2004 or 2003.

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

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

Water Debt Service Fund – This fund is used to accumulate resources for retirement of mortgage revenue bonds issued to fund improvements to the Village's water plant.

Sewer Debt Service Fund – This fund is used to accumulate resources for retirement of mortgage revenue bonds issued to fund improvements to the Village's wastewater treatment plant.

Garbage Fund – This fund receives charges for services from residents to cover the cost of garbage collection in the Village.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Water Project Fund – This fund is used to accumulate resources to finance debt service on the Village’s Ohio Public Works Commission and Ohio Water Development Authority loans and for the future improvements to the Village’s water system.

Sewer Project Fund – This fund is used to accumulate resources to finance debt service on the Village’s Ohio Public Works Commission and Ohio Water Development Authority loans and for future improvements to the Village’s wastewater treatment system.

- **Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and 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.
- **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.
- **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 for 2003. Financial statements for 2003 were adjusted to include encumbrances that should have been recorded at year-end.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

- **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.

- **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 LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**2. EQUITY IN POOLED CASH**

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$ 350,817	\$ 410,278
Certificate of Deposit	<u>55,022</u>	<u>54,060</u>
Total deposits	<u>\$ 405,839</u>	<u>\$ 464,338</u>

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 and 2003 were as follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 604,924	\$ 361,864	\$ (243,060)
Special Revenue	47,750	80,648	32,898
Capital Projects	0	0	0
Enterprise	<u>949,307</u>	<u>455,827</u>	<u>(493,480)</u>
Total	<u>\$ 1,601,981</u>	<u>\$ 898,339</u>	<u>\$ (703,642)</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 465,075	\$ 424,251	\$ 40,824
Special Revenue	94,263	74,415	19,848
Capital Projects	0	0	0
Enterprise	<u>530,112</u>	<u>460,503</u>	<u>69,609</u>
Total	<u>\$ 1,089,450</u>	<u>\$ 959,169</u>	<u>\$ 130,281</u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 375,000	\$ 566,741	\$ 191,741
Special Revenue	45,400	78,296	32,896
Capital Projects	0	0	0
Enterprise	<u>866,040</u>	<u>597,199</u>	<u>(268,841)</u>
Total	<u>\$ 1,286,440</u>	<u>\$ 1,242,236</u>	<u>\$ (44,204)</u>



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**3. BUDGETARY ACTIVITY (Continued)**

2003 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 331,327	\$ 404,706	\$ (73,379)
Special Revenue	111,916	109,205	2,711
Capital Projects	995	0	995
Enterprise	<u>741,122</u>	<u>652,168</u>	<u>88,954</u>
Total	<u>\$1,185,360</u>	<u>\$1,166,079</u>	<u>\$ 19,281</u>

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**5. DEBT**

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds (FHA)	\$ 354,000	5.00%
Water Mortgage Revenue Bonds	76,919	6.00%
Ohio Public Works Commission (OPWC) Loan - 1996	190,625	0.00%
Ohio Water Development Authority (OWDA) Loan – 1996	144,164	6.56%
Ohio Public Works Commission (OPWC) Loan – 2002	189,125	0.00%
Ohio Water Development Authority (OWDA) Loan – 2002	379,075	5.70%
Fifth Third Bank Note – Cruiser	<u>1,881</u>	5.80%
Total	\$ 1,335,789	

The Sewer Mortgage Revenue Bonds through the Farmers Home Administration (FHA) were issued in 1982 to finance an improvement project on the Village's wastewater treatment plant. The bonds are being retired over a period of 38 years, paid from sewer system revenues.

The Water Mortgage Revenue Bonds were issued in 1986 to finance an improvement project to the Village's water plant. The bonds are being retired over a period of 40 years, payable from water system revenues.

During 1996, the Village received an OPWC Loan and an OWDA Loan for \$305,000 and \$246,724, respectively, to finance water system and wastewater treatment system improvements. These loans are being repaid over a period of 20 years and 15 years, respectively, payable from water system and sewer system revenues.

During 2001, the Village received an OPWC Loan for \$222,500 to finance a water tower replacement project. The loan will be repaid from water system revenues, over a period of 20 years.

During 2002, the Village received an OWDA Loan for \$295,000 to finance the planning phase of a wastewater improvement project. The loan will be repaid with a balloon payment in 2007, when the Village is expected to obtain permanent financing.

During 2002, the Village obtained a \$10,519 note from Fifth Third Bank to purchase a police cruiser. The loan is being repaid over a period of three years, payable from the Village's general revenues.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
NOTES TO THE FINANCIAL STATEMENTS**

**5. DEBT (Continued)**

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

Year Ending <u>December 31</u>	Sewer Mortgage Revenue <u>Bonds(FHA)</u>	Water Mortgage Revenue <u>Bonds</u>	OPWC <u>Loans</u>	OWDA <u>Loans</u>	Fifth Third Bank Note - <u>Cruiser</u>	<u>Total</u>
2005	\$ 33,700	\$ 7,679	\$ 26,375	\$ 26,341	\$ 1,914	\$ 96,009
2006	33,900	7,748	26,375	26,341	0	94,364
2007	34,000	7,710	26,375	405,416	0	473,501
2008	34,150	7,766	26,375	26,341	0	94,632
2009	34,200	7,710	26,375	26,341	0	94,626
Thereafter	<u>341,850</u>	<u>131,151</u>	<u>247,875</u>	<u>52,682</u>	<u>0</u>	<u>773,558</u>
Total	<u>\$511,800</u>	<u>\$ 169,764</u>	<u>\$379,750</u>	<u>\$563,462</u>	<u>\$ 1,914</u>	<u>\$1,626,690</u>

**6. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries. As of December 31, 2004 the Village has fully remitted these amounts.

**7. RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

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

**8. CONTINGENT LIABILITIES**

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

# *Whited Seigneur Sams & Rahe LLP*

CERTIFIED PUBLIC ACCOUNTANTS

Jerry B. Whited, CPA  
Donald R. Seigneur, CPA  
John R. Sams, CPA

**\*\* WSSR \*\***

Barry L. Rahe, CPA  
Kathleen M. Alderman, CPA  
Nathan C. Baldwin, CPA

213 South Paint Street • Chillicothe, Ohio 45601-3828  
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net

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August 30, 2005

Village of Leesburg  
Highland County  
57 South Fairfield Street  
P.O. Box 305  
Leesburg, OH 45135

## **Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards***

We have audited the accompanying financial statements of Village Of Leesburg, Highland County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated August 30, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and which was qualified since the Village did not classify disbursements in its 2003 financial statements. We conducted our audits 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.

### **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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-001, and 2004-005 through 2004-008.

A material weakness is a reportable 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 caused by error or fraud 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe finding 2004-001 is a material weakness.

**Compliance and Other Matters**

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 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 that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as items 2004-001 through 2004-005, and 2004-009 through 2004-010. Also, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated August 30, 2005.

This report is intended for the information and use of management and Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS**

**Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS**

**FINDING NUMBER 2004-001**

**Non-Compliance Citation – Material Weakness**

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village's former clerk in 2003 did not maintain the accounting records on the Uniform Accounting Network or in any other manner during 2003; receipts and disbursements had to be reconstructed in 2005 in cash journal form by a consultant for the purpose of this audit. The Village was therefore unable to effectively compare budgeted amounts to actual amounts received and spent in 2003. Since the Village was unable to properly classify receipts and disbursements by purpose, the Village did not file an annual report, contrary to Ohio Rev. Code Section 117.38.

Although corrected in 2004 by the current Village clerk, the Ohio Administrative Code, Section 117-9-01, provides suggested account classifications for posting of transactions. These accounts classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Posting transactions properly to these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

**FINDING NUMBER 2004-002**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.36, provides that subdivisions are to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. The Village's official certificate of estimated resources or any subsequent amendments for 2004 and 2003 did not reflect estimated receipts for several funds which had significant amounts of receipts during 2003 or 2004. The Water, Sewer, Sewer Debt Service, and Sewer Project Funds in 2003 were overestimated by \$83,268, \$8,612, \$18,637, and \$240,992, respectively. In 2004, the General, Water Debt Service, Sewer Debt Service, Sewer Project, and Garbage Funds were overestimated by \$243,060, \$42,204, \$10,950, \$435,000, and \$13,439, respectively. Overestimating revenue can lead to overappropriating and overspending actual resources.

We recommend that the Village evaluate their estimated receipts on the official certificate and determine if amended certificates are necessary.

**FINDING NUMBER 2004-003**

**Noncompliance Citation**

Ohio Rev. Code, Sections 5709.36, 5705.39, and 5705.41(A), states that the total appropriation from each fund should not exceed the total estimated revenue. Contrary to this section, the Village had total appropriations in excess of estimated resources in the following funds:

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS**

**FINDING NUMBER 2004-003 (Continued)**

**Noncompliance Citation (Continued)**

Date	Fund	Total Appropriations	Total Estimated Resources	Variance
December 31, 2003	Street	\$ 85,285	\$ 77,120	(\$ 8,165)
	Water Debt Service	65,000	338	(64,662)
	Garbage	58,300	36,771	(21,529)

The Village should have increased estimated resources or reduced appropriations as needed in 2003.

**FINDING NUMBER 2004-004**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41(B) (D), states that no subdivision shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds, contrary to this section.

Date	Fund	Total Appropriations	Total Budgetary Expenditures	Variance
December 31, 2003	General	\$ 331,327	\$ 404,707	(\$73,380)
	Street	85,669	109,205	( 23,536)
	Sewer Debt Service	0	61,626	( 61,626)
	Garbage	68,134	79,332	( 11,198)

The Clerk-Treasurer should certify the availability of funds and should deny payment requests exceeding appropriations. The Clerk-Treasurer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2004-005**

**Noncompliance Citation- Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

This section also provides for two exceptions to the above requirements:

- A. Then and Now Certificates – If no certificate is furnished as required, upon receipt of the Village clerk’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village 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.

## **FINDING NUMBER 2004-005 (Continued)**

### **Noncompliance Citation- Reportable Condition (Continued)**

B. If the amount involved is less than \$1,000 dollars(\$3,000 effective April 7, 2003), the Village clerk may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, prior certification was not obtained for 100% of the vouchers by the former Village clerk in 2003 because purchase orders, blanket certificates, etc. or any other means of obtaining prior certification were not used. This resulted in the Village having unrecorded encumbrances at year-end. The financial statements have been adjusted to properly reflect these encumbrances. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, blanket certificates, etc. which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment. This has been implemented in 2004 by the current Village clerk.

## **FINDING NUMBER 2004-006**

### **Reportable Condition**

Monthly reconciliations were not performed accurately and in a timely manner during 2003. The Village's inability to get the books in balance with the bank resulted from no postings in the Uniform Accounting Network system nor any manually-kept journals or ledgers. Failure to post all transactions and to perform monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

Although corrected in 2004 by the current Village Clerk, we recommend that monthly reconciliations be performed accurately and in a timely manner. Monthly reconciliations and monthly financial reports should be provided to Village Council by the Clerk-Treasurer at each regular meeting to facilitate effective monitoring of Village financial activity. Village Council's review of monthly reconciliations and financial reports should be documented in the minutes.

## **FINDING NUMBER 2004-007**

### **Reportable Condition**

Deductions for Federal, State, and Local taxes and PERS/Ohio Police and Fire Pension were not submitted for November and December 2002 and the 2<sup>nd</sup> through 4<sup>th</sup> quarters in 2003 by the former Village clerk. This resulted in several penalties and interest paid for in 2004. The present Village clerk submitted all employee's and employer's share of 2003 withholdings in 2004.



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS**

**FINDING NUMBER 2004-008**

**Reportable Condition**

The Village should maintain a debt ledger for any outstanding debt. Updates on relevant transactions, identification numbers, interest rates paid on the debt, maturity dates and any updates to the principal and interest payments should be included in the debt ledger. Failure to maintain a debt ledger could result in a misstatement of the amount of debt outstanding and paid. We recommend that the Village maintain a debt ledger for all outstanding debt.

**FINDING NUMBER 2004-009**

**Noncompliance Citation**

Leesburg, Ordinance 79-8 Authorizing the Issuance of First Mortgage Sanitary Sewerage System Revenue Bonds (1979), requires that debt payments on the bonds be made from the Sewer Debt Service Fund. Adjustments have been posted to the financial statements to pay the debt from the Sewer Debt fund. Additionally, Ordinance 79-8 requires that monthly transfers be made from the Sewer Operating Fund to the Sewer Debt Fund to provide for repairs and maintenance or future debt service. The Village did not always make these transfers throughout the audit period, contrary to this ordinance. Adjustments have been posted to reflect the proper amount of transfers. The Village should review their debt covenants and ensure that monthly transfers are made from the Sewer Operating Fund to the Sewer Debt Fund to provide for debt service and that debt payments are made from the Sewer Debt Fund.

This ordinance also provides that the Village, acting through its Council, covenants that it will fix and revise rates and charges for services and facilities of its sanitary sewerage system and collect and account for income and revenues therefrom sufficient to promptly pay all expenses incident to the operation of the system and the payments for principal and interest on the bonds. We recommend that the Village Council document a review annually to determine that rates and charges for services will be sufficient to pay the operating expenses of the sewer system and provide for the annual debt service requirements.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
SCHEDULE OF AUDIT FINDINGS**

**FINDING NUMBER 2004-010**

**Noncompliance Citation**

Leesburg, Ordinance 86-19 Authorizing the Issuance of First Mortgage Water System Revenue Bonds (1986), requires that debt payments on the bonds be made from the Water Debt Service Fund (the Sinking Fund). The payments in 2004 and 2003 were made from the Water Operating Fund and the General Fund, respectively, contrary to the ordinance. Adjustments have been posted to the financial statements to pay the debt from the Water Debt Fund. Additionally, Ordinance 86-19 requires that the Village make monthly transfers from the Water Operating Fund to the Water Debt Fund to provide for the debt service on the bonds. The Village did not always make these transfers throughout the audit period, contrary to this ordinance. Adjustments have been posted to reflect the proper amount of transfers. The Village should review their debt covenants and ensure that monthly transfers are made from the Water Operating Fund to the Water Debt Fund to provide for debt service and that debt payments are made from the Water Debt Fund.

This ordinance also provides that the Village, acting through its Council, covenants that it will fix and revise rates and charges for services and facilities of its water system and collect and account for income and revenues therefrom sufficient to promptly pay all expenses incident to the operation of the system and the payments for the principal and interest on the bonds. We recommend that the Village Council document a review annually to determine that rates and charges for services will be sufficient to pay operating expenses of the water system and provide for the annual debt service requirements.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-001**

**Non-Compliance Citation – Material Weakness**

Ohio Rev. Code, Section 733.28, requires the Village Clerk to maintain the books of the Village and exhibit accurate statements of all monies received and expended. The Village’s fiscal officer maintained the accounting records on the Uniform Accounting Network during 2002 and 2001; however receipts and disbursements were consistently misposted to the accounting system. The Village was therefore unable to monitor compliance with its appropriation resolution. The Village was also unable to properly classify disbursements by purpose in its annual report, contrary to Ohio Rev. Code Section 117.38.

Ohio Administrative Code, Section 117-9-01, provides suggested account classifications for posting of transactions. These accounts classify disbursements by program (security of persons and property, for example) or object (personal services, for example). Posting transactions properly to these classifications will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

Status – See Finding Number 2004-001. The Village Clerk that held office in 2003 failed to maintain proper accounting records in 2003 and an annual report for 2003 was not filed with the Auditor of State of Ohio’s office. A new Village Clerk started in 2004 and was able to maintain the proper accounting records, monitor budgetary compliance and file an annual report for 2004.

**FINDING NUMBER 2002-002**

**Noncompliance Citation**

Ohio Rev. Code, Section 5709.39, states that the total appropriation from each fund should not exceed the total estimated revenue. Contrary to this section, the Village had total appropriations in excess of estimated resources in the following funds:

<b>Date</b>	<b>Fund</b>	<b>Total Appropriations</b>	<b>Total Estimated Resources</b>	<b>Variance</b>
December 31, 2002	General	\$ 797,267	\$762,241	(\$35,026)
	COPS Grant	29,700	0	(29,700)
December 31, 2001	State Highway	12,000	8,239	(3,761)
	Water Operating	161,839	38,473	(123,366)
	Sewer Operating	216,239	40,045	(176,194)
	Garbage	78,000	9,527	(68,473)
	Water Project	30,000	2,364	(27,636)
	Sewer Project	30,000	1,975	(28,025)

Status – See Finding Number 2004-003.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-003**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds, contrary to this section.

<b>Date</b>	<b>Fund</b>	<b>Total Appropriations</b>	<b>Total Budgetary Expenditures</b>	<b>Variance</b>
December 31, 2002	OPWC Water Tower Project	0	\$ 30,446	(\$30,446)
	Sewer Project	\$ 30,000	125,651	(\$95,651)
December 31, 2001	OPWC Water Tower Project	0	341,821	(341,821)
	Water Operating	119,005	337,332	(218,327)
	Sewer Operating	187,482	212,711	(25,229)

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

Status – See Finding Number 2004-004.

**FINDING NUMBER 2002-004**

**Noncompliance citation**

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Village's appropriations, as required by Ohio Rev. Code, Sections 5705.36 and 5705.41(B), respectively. The Ohio Public Works Commission (OPWC) made payments totaling \$371,272 for the new water tower project to contractors on behalf of the Village. The Village did not formally establish the required fund to account for these monies/Guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletin 2000-8.

Status – This was not applicable in 2003 or 2004.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-005**

**Noncompliance Citation- Reportable Condition**

Ohio Rev. Code, Section 5705.41(D), requires that no subdivision or taxing unit shall make any contract or give any order involving expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

- C. Then and Now Certificates – 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 Village 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.
- D. If the amount involved is less than \$1,000 dollars, the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

Where a continuing contract is to be performed in whole or in part in an ensuing fiscal year, only the amount required to meet those amounts in the fiscal year in which the contract is made need be certified.

Contrary to the above requirement, prior certification was not obtained for 77% of the vouchers reviewed for the audit period and neither of the two exceptions provided for above were utilized. This resulted in the Village having material unrecorded encumbrances at year end. The financial statements have been adjusted to properly reflect these encumbrances. As a result of these adjustments, the Garbage fund in 2002 had encumbrances greater than the fund's balance. Failure to certify the availability of funds and encumber appropriations can result in overspending funds and negative cash fund balances. Therefore, we recommend the Village obtain approved purchase orders, which contain the Clerk's certification that the amount required to meet the obligation has been lawfully appropriated and authorized, prior to making a commitment.

Status – See Finding Number 2004-005.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-006**

**Reportable Condition**

Monthly reconciliations were not performed accurately and in a timely manner during the audit period. The Village's inability to get the books in balance with the bank resulted from several mispostings in the Uniform Accounting Network system. Failure to post all transactions and to perform monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

Additionally, financial information is provided periodically to Village Council by the Clerk-Treasurer; however, monthly financial reports and reconciliations are not consistently provided to Council by the Clerk-Treasurer and documented in the minutes. The lack of effective monitoring by the Village Council also could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that monthly reconciliations be performed accurately and in a timely manner. Monthly reconciliations and monthly financial reports should be provided to Village Council by the Clerk-Treasurer at each regular meeting to facilitate effective monitoring of Village financial activity. Village Council's review of monthly reconciliations and financial reports should be documented in the minutes.

Status – Corrected in 2004.

**FINDING NUMBER 2002-007**

**Reportable Condition**

We noted the following weaknesses in the controls over Village disbursements:

- The proper program and object codes were not always used in posting to UAN system or were incorrect.
- Purchase orders were not always signed as approved by two Village Council members.
- Disbursements were not consistently certified as available for expenditure in advance of purchase commitments being made.
- There is no consistent documentation on invoices that a review was performed by individuals who received the goods or services to determine that amounts billed were for items actually received by the Village.
- Small expenditures made by employees were reimbursed with cash through a check written to petty cash rather than accumulating expenditures and issuing checks to the employees.
- Check numbers and amounts for expenditures posted on the UAN system did not always agree with the actual checks (manual checks). This resulted in errors on the bank reconciliations.

Lack of an effective control system over the Village's expenditures could result in overspending of funds or unauthorized or inaccurate expenditures occurring. We recommend that the Village take appropriate steps to correct the above-mentioned control weaknesses.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-007(Continued)**

**Reportable Condition(Continued)**

Status – All of the above has been corrected in 2004 by the current Village clerk who started in January 2004.

**FINDING NUMBER 2002-008**

**Reportable Condition**

We noted the following weaknesses in the controls over Village payroll transactions:

- Salaries and hourly wage rates were not always formally approved in advance by Village Council.
- Time sheets were not always used to document hours worked for employees.
- Time sheets completed did not consistently show evidence of supervisory approval.
- Deductions for Federal, State, and Local taxes and PERS/Ohio Police and Fire Pension were not submitted for November and December 2002. Differences in withholding amounts noted on UAN payroll reports and checks issued were also noted for other months during the audit period. This resulted from checks written which were not written for the full amount of the withholdings.

Lack of an effective control system over Village payroll transactions could result in salaries or wages being paid for work not actually performed, or employees could be compensated for incorrect salary or hourly rates. To improve the controls over Village payroll, we recommend the following:

- Village Council should approve by resolution all salaries and hourly wage rates in advance.
- Time sheets be used to document hours worked for employees.
- Time sheets be signed by appropriate supervisors.
- Review of payroll records to determine amount of liabilities related to deductions mentioned above and contact the proper agencies to resolve any issues of underpayment.

Status – The current Village clerk has implemented procedures to correct all of the above starting in January 2004. All withholdings were eventually paid in 2004, including penalties and interest. All contributions are up to date and have been remitted as of December 31, 2004.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-009**

**Reportable Condition**

Monitoring controls over budgetary compliance have not been placed in operation. The Village Council is not receiving and reviewing monthly financial statements detailing monthly and year-to-date budgetary and actual receipts and expenditures totals. Additionally, budgeted receipts and appropriations passed throughout the audit period were not properly posted to the UAN system. Failure to properly post budgeted receipts and appropriations and lack of Village council monitoring could result in spending of funds in excess of resources. We recommend that the Clerk-Treasurer properly post budgeted receipts and appropriations to the UAN system and that monthly reports detailing budgetary status be provided to Village Council for review.

Status – Corrected in 2004.

**FINDING NUMBER 2002-010**

**Reportable Condition**

The Village should maintain a debt ledger for any outstanding debt. Updates on relevant transactions, identification numbers, interest rates paid on the debt, maturity dates and any updates to the principal and interest payments should be included in the debt ledger. Failure to maintain a debt ledger could result in a misstatement of the amount of debt outstanding and paid. We recommend that the Village maintain a debt ledger for all outstanding debt.

Status – Still applicable. See Finding Number 2004-008.

**FINDING NUMBER 2002-011**

**Noncompliance Citation**

Ohio Rev. Code, Section 5705.10, provides that monies paid into any funds shall be used for the purpose for which such fund is established. Negative fund balances indicate the monies from one fund were used to cover the expenditures of another fund. The following fund had negative fund balances in 2001 and 2002 as follows:

<u>2001 Fund</u>	<u>Year End Balance</u>	<u>2002 Fund</u>	<u>Year End Balance</u>
Water Project Fund	(\$10,026)	Water Project Fund	(\$10,158)

Status – Adjustments, agreed to by the Village officials, were made to erase any negative fund balances at December 31, 2003 and December 31, 2004.



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY, OHIO  
STATUS OF PRIOR AUDIT FINDINGS**

**FINDING NUMBER 2002-012**

**Noncompliance Citation**

Leesburg, Ordinance 79-8 Authorizing the Issuance of First Mortgage Sanitary Sewerage System Revenue Bonds (1979), requires that debt payments on the bonds be made from the General Fund, contrary to this ordinance. Adjustments have been posted to the financial statements to pay the debt from the Sewer Debt fund. Additionally, Ordinance 79-8 requires that monthly transfers be made from the Sewer Operating Fund to the Sewer Debt Fund to the Sewer Reserve Fund to provide for repairs and maintenance or future debt service. The Village did not make these transfers throughout the audit period, contrary to this ordinance. The Village should review their debt covenants and ensure that monthly transfers are made from the Sewer Operating Fund to the Sewer Debt Fund to provide for debt service and that debt payments are made from the Sewer Debt Fund. Additionally, the Village should periodically transfer excess monies in the Sewer Operating Fund to the Sewer Project Fund.

This ordinance also provides that the Village, acting through its Council, covenants that it will fix and revise rates and charges for services and facilities of its sanitary sewerage system and collect and account for income and revenues therefrom sufficient to promptly pay all expenses incident to the operation of the system and the payments for principal and interest on the bonds. We recommend that the Village Council document a review annually to determine that rates and charges for services will be sufficient to pay the operating expenses of the sewer system and provide for the annual debt service requirements.

Status – Refer to Finding Number 2004-009.

**FINDING NUMBER 2002-013**

**Noncompliance Citation**

Leesburg, Ordinance 86-19 Authorizing the Issuance of First Mortgage Water System Revenue Bonds (1986), requires that debt payments on the bonds be made from the Water Debt Service Fund (the Sinking Fund). The payments in 2002 and 2001 were made from the Sewer Operating Fund and the General Fund, respectively, contrary to the ordinance. Adjustments have been posted to the financial statements to pay the debt from the Water Debt Fund. Additionally, Ordinance 86-19 requires that the Village make monthly transfers from the Water Operating Fund to the Water Debt Fund to provide for the debt service on the bonds and that periodic transfers be made of excess monies from the Water Operating Fund to the Reserve Account (the Water Project Fund). The Village should review their debt covenants and ensure that monthly transfers are made from the Water Operating Fund to the Water Debt Fund to provide for debt service and that debt payments are made from the Water Debt Fund. Additionally, the Village should periodically transfer excess monies in the Water operating Fund to the Water Project Fund.

This ordinance also provides that the Village, acting through its Council, covenants that it will fix and revise rates and charges for services and facilities of its water system and collect and account for income and revenues therefrom sufficient to promptly pay all expenses incident to the operation of the system and the payments for the principal and interest on the bonds. We recommend that the Village Council document a review annually to determine that rates and charges for services will be sufficient to pay operating expenses of the water system and provide for the annual debt service requirements.

Status – Refer to Finding Number 2004-010.

**FINDING NUMBER 2002-014**

**Noncompliance Citation – Finding for Recovery Repaid Under Audit**

Leesburg, Ordinance 98-2 Establishing Benefits For Employees of the Village Water Department, provides for the Village water department employees to receive sick and vacation leave. Leesburg, Resolution 99-8 Establishing Conversion System for The Village Employees, permits employees to annually cash in unused sick and vacation leave. A Village employee, Richard Zachman, exercised this option at the end of 2002, receiving payment for 200 hours of unused vacation leave and 120 hours of unused sick leave. The Village's leave records in 2002 were not updated to reflect these hours being converted to cash. In 2003, the Village has not maintained sick and vacation leave records.

Mr. Zachman retired at the end of 2003 and received a final paycheck in July 2003, which included payout of unused vacation and sick leave. The amounts paid for unused vacation and sick leave erroneously included amounts that had been converted to cash in 2002. Additionally, PERS was withheld from the leave payout and should not have been. These errors resulted in an overpayment of \$1,049.50 to Mr. Zachman.

	Actual Amount Paid	Correct Amount	Difference
Gross Pay – Vacation	\$1,782.75	\$ 891.38	\$ 891.37
Gross Pay – Sick	\$ 548.00	\$ 191.76	\$ 356.24
Subtotal	\$2,330.75	\$1,083.14	\$ 1,247.61
Less – PERS withheld			<u>\$ (198.11)</u>
Total Overpayment			<u>\$ 1,049.50</u>

Status - Former Village employee Richard Zachman repaid this amount to the Village on October 1, 2003.



**Auditor of State  
Betty Montgomery**

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

**VILLAGE OF LEESBURG**

**HIGHLAND 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 11, 2005**