



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF LEIPSIC  
PUTNAM COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

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 (the Village) as of and for the years ended December 31, 2001 and 2000. 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 of the Village as of December 31, 2001 and 2000, 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 April 25, 2002 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.

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Putnam County  
Report of Independent Accountants  
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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, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

April 25, 2002

**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, 2001**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$887,718	\$53,739		\$941,457
Intergovernmental Receipts	142,644	88,699	\$300,720	532,063
Charges for Services	55,702	22,488		78,190
Fines, Licenses, and Permits	13,471	481		13,952
Miscellaneous	58,341	2,471	375	61,187
<b>Total Cash Receipts</b>	<u>1,157,876</u>	<u>167,878</u>	<u>301,095</u>	<u>1,626,849</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	205,998	51,536		257,534
Public Health Services	1,691			1,691
Leisure Time Activities	124,175			124,175
Community Environment	36,760	5,131		41,891
Transportation		213,231		213,231
General Government	171,359			171,359
Capital Outlay		114,644	1,139,289	1,253,933
<b>Total Cash Disbursements</b>	<u>539,983</u>	<u>384,542</u>	<u>1,139,289</u>	<u>2,063,814</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>617,893</u>	<u>(216,664)</u>	<u>(838,194)</u>	<u>(436,965)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes			482,317	482,317
Transfers-In		250,000	160,000	410,000
Transfers-Out	(728,210)			(728,210)
Sale of Fixed Assets	125,000			125,000
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(603,210)</u>	<u>250,000</u>	<u>642,317</u>	<u>289,107</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>14,683</u>	<u>33,336</u>	<u>(195,877)</u>	<u>(147,858)</u>
<b>Fund Cash Balances, January 1</b>	<u>(6,938)</u>	<u>(166,455)</u>	<u>119,756</u>	<u>(53,637)</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$7,745</b></u>	<u><b>(\$133,119)</b></u>	<u><b>(\$76,121)</b></u>	<u><b>(\$201,495)</b></u>

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

**VILLAGE OF 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, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$989,228
Miscellaneous	615
	989,843
Total Operating Cash Receipts	989,843
<b>Operating Cash Disbursements:</b>	
Personal Services	428,334
Transportation	505
Contractual Services	248,748
Supplies and Materials	81,989
Capital Outlay	56,275
	815,851
Total Operating Cash Disbursements	815,851
Operating Income	173,992
<b>Non-Operating Cash Receipts:</b>	
Revenue in Lieu of Taxes	64,797
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	491,606
Excess of Disbursements over Receipts Before Interfund Transfers and Advances	(252,817)
Transfers-In	318,210
Net Receipts Over Disbursements	65,393
Fund Cash Balances, January 1	205,296
<b>Fund Cash Balances, December 31</b>	<b>\$270,689</b>

*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, 2000**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$554,256	\$54,103		\$608,359
Intergovernmental Receipts	148,970	116,555	\$556,275	821,800
Charges for Services	26,484	135,053		161,537
Fines, Licenses, and Permits	10,787	662		11,449
Miscellaneous	36,722	4,341	27,288	68,351
<b>Total Cash Receipts</b>	<u>777,219</u>	<u>310,714</u>	<u>583,563</u>	<u>1,671,496</u>
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	169,884	51,922		221,806
Public Health Services	1,752			1,752
Leisure Time Activities	59,016			59,016
Community Environment	33,335			33,335
Transportation		185,947		185,947
General Government	164,810			164,810
Capital Outlay		439,338	1,181,931	1,621,269
<b>Total Cash Disbursements</b>	<u>428,797</u>	<u>677,207</u>	<u>1,181,931</u>	<u>2,287,935</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>348,422</u>	<u>(366,493)</u>	<u>(598,368)</u>	<u>(616,439)</u>
<b>Other Financing Receipts/(Disbursements):</b>				
Sale of Bonds or Notes			780,861	780,861
Transfers-In		190,000	86,500	276,500
Transfers-Out	(401,500)			(401,500)
Other Uses	(1,639)			(1,639)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>(403,139)</u>	<u>190,000</u>	<u>867,361</u>	<u>654,222</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(54,717)</u>	<u>(176,493)</u>	<u>268,993</u>	<u>37,783</u>
<b>Fund Cash Balances January 1</b>	<u>47,779</u>	<u>10,038</u>	<u>(149,237)</u>	<u>(91,420)</u>
<b>Fund Cash Balances, December 31</b>	<u>(\$6,938)</u>	<u>(\$166,455)</u>	<u>\$119,756</u>	<u>(\$53,637)</u>

*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, 2000**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$1,086,637
Miscellaneous	786
	1,087,423
Total Operating Cash Receipts	1,087,423
<b>Operating Cash Disbursements:</b>	
Personal Services	376,672
Transportation	2,371
Contractual Services	288,559
Supplies and Materials	77,204
Capital Outlay	73,350
	818,156
Total Operating Cash Disbursements	818,156
Operating Income	269,267
<b>Non-Operating Cash Receipts:</b>	
Revenue in Lieu of Taxes	64,797
<b>Non-Operating Cash Disbursements:</b>	
Debt Service	464,380
Excess of Disbursements Over Receipts Before Interfund Transfers	(130,316)
Transfers-In	125,000
Net Disbursements Over Receipts	(5,316)
Fund Cash Balances, January 1	210,612
<b>Fund Cash Balances, December 31</b>	<b>\$205,296</b>

*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, 2001 AND 2000**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Fund**

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

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

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

**3. Capital Projects 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 projects funds:

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

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

*Pool Capital Project 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.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**G. 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.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2001</u>	<u>2000</u>
Cash on Hand	\$110	\$110
Demand deposits	\$69,084	\$(24,312)
Certificates of deposit		175,861
	<u>                    </u>	<u>                    </u>
Total deposits	<u>\$69,194</u>	<u>\$151,659</u>

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

Although all deposits were adequately secured at year end, throughout 2000 deposits were uninsured and uncollateralized, including \$466,538 of deposits at June 30, 2000, that were not insured or collateralized, contrary to Chapter 135, Ohio Revised Code.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

2001 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$1,080,819	\$1,282,876	\$202,057
Special Revenue	456,499	417,878	(38,621)
Capital Projects	1,438,000	943,412	(494,588)
Enterprise	<u>1,219,600</u>	<u>1,372,850</u>	<u>153,250</u>
Total	<u>\$4,194,918</u>	<u>\$4,017,016</u>	<u>(\$177,902)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$1,178,070	\$1,268,193	(\$90,123)
Special Revenue	400,760	384,542	16,218
Capital Projects	1,145,000	1,139,289	5,711
Enterprise	<u>1,249,750</u>	<u>1,307,457</u>	<u>(57,707)</u>
Total	<u>\$3,973,580</u>	<u>\$4,099,481</u>	<u>(\$125,901)</u>

2000 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$750,170	\$777,219	\$27,049
Special Revenue	507,290	500,714	(6,576)
Capital Projects	1,245,000	1,450,924	205,924
Enterprise	<u>1,080,100</u>	<u>1,277,220</u>	<u>197,120</u>
Total	<u>\$3,582,560</u>	<u>\$4,006,077</u>	<u>\$423,517</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$863,135	\$831,936	\$31,199
Special Revenue	676,830	677,207	(377)
Capital Projects	1,205,000	1,181,931	23,069
Enterprise	<u>1,202,650</u>	<u>1,282,536</u>	<u>(79,886)</u>
Total	<u>\$3,947,615</u>	<u>\$3,973,610</u>	<u>(\$25,995)</u>

**4. COMPLIANCE**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

There were several funds with deficit cash balances throughout the year, including the following funds with deficit balances at year end:

<u>Fund</u>	<u>12/31/01</u>	<u>12/31/00</u>
General		\$6,935
Street Construction, Maintenance and Repair		7,929
Fire	\$141,746	180,081
Capital Projects Development	25,702	
Capital Project Pool	50,436	86,244
Water Revenue		34,615
Sewer Debt		46,199

The Village enacted a five year one-half percent income tax in 2001 that will be used along with a continuing one percent income tax to eliminate these deficits.

Appropriations exceeded estimated revenue in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Appropriations in excess of estimated resources</u>
<b>December 31, 2000</b>			
General	\$797,948	\$863,135	\$65,187
Street Construction, Maintenance and Repair	193,598	262,250	68,652
Permissive License Tax	24,000	28,000	4,000
Fire	286,098	380,500	94,402
Issue II	15,984	40,000	24,016
Wastewater Improvement	806,779	1,050,000	243,221
Water Revenue	317,112	470,000	152,888
<b>December 31, 2001</b>			
General	1,072,115	1,178,070	105,955
Street Construction Maintenance and Repair	200,071	330,000	129,929
Issue II	138,128	225,000	86,872
Water Revenue	349,553	450,000	100,447
Waste Water Debt	338,301	353,250	14,949

At November 30, 2000, there were twenty-one instances, and at December 31, 2001, thirty-seven instances, for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$100 to \$371,210. In addition, the following funds had expenditures exceeding appropriations at year end:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>December 31, 2000</b>			
Street Construction Maintenance Repair	\$262,250	\$272,982	(\$10,732)
State Highway	4,580	5,232	(652)
Fire	380,500	383,045	(2,545)
Water	470,000	514,638	(44,638)

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

Water Debt	138,500	138,600	(100)
Wastewater	283,150	303,519	(20,369)
Wastewater Debt	311,000	325,779	(14,779)
 <b>December 31, 2001</b>			
General	\$1,178,070	1,268,193	\$(90,123)
State Highway	4,520	5,131	(611)
Fire	45,840	51,141	(5,301)
Water	450,000	467,986	(17,986)
Wastewater	308,000	347,923	(39,923)

**5. PROPERTY TAX**

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

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

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 one and one half 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. One percent is a continuing tax for general operations and one half of one percent was levied starting January 1, 2001 for a period of five years to finance capital improvements in 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, 2001 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loan # 1	\$783,893	7.89%
Ohio Water Development Authority Loan # 2	1,932,504	4.12%
Ohio Public Works Commission CM72 5	86,059	0%

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

Ohio Public Works Commission CM21 B	92,676	0%
Ohio Public Works Commission CM 24D	133,380	0%
Sewer System Improvement Bond	125,000	4.15%
Sewer System Improvement Note	750,000	5.15%
Municipal Swimming Pool Note	480,000	5.50%
Waterworks System Mortgage Revenue Bonds	2,287,000	5.00%
<b>Total</b>	<b>\$6,670,512</b>	

With the exception of the swimming pool notes issued for swimming pool improvements all debt outstanding was issued for construction and improvements of the Village's sanitary sewer and storm sewer systems.

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

Year ending December 31:	OWDA Loan	OPWC Loans	Sewer System Improvement Bonds	Municipal Swimming Pool Note	Sewer System Improvement Note	Mortgage Revenue Bonds
2002	\$270,879	\$18,756	\$56,744	\$132,074	\$62,981	\$138,350
2003	270,879	18,756	78,113	115,800	61,694	138,150
2004	270,879	18,756		110,520	60,406	137,900
2005	270,879	18,756		105,240	63,990	138,600
2006	270,879	18,756		99,960	62,445	138,200
Subsequent	2,541,394	218,335			630,836	4,283,450
<b>Total</b>	<b>\$3,895,789</b>	<b>\$312,115</b>	<b>\$134,857</b>	<b>\$563,594</b>	<b>\$942,352</b>	<b>\$4,974,650</b>

**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 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 2001 and 2000, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of police participant wages. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of PERS participants' gross salaries through for 2001 and from January 1, 2000 through June 30, 2000. For July 1, 2000 through December 31, 2000 PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2001.

**9. RISK MANAGEMENT**

The Village is a member of the Public Entities Pool of Ohio (the Pool). The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The Pool covers the following risks:

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001 AND 2000  
(Continued)**

- Legal liability - Third party claims;
- Real and Personal Property;
- Vehicles;
- Wrongful acts coverage;
- Law enforcement operations; and
- Electronic Data Processing Equipment.

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

	<u>2000</u>	<u>1999</u>
Cash and investments	\$18,687,743	\$16,413,611
Actuarial liabilities	\$7,996,596	\$6,916,414

**10. CONTINGENT LIABILITIES**

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

**11. SUBSEQUENT EVENTS**

On January 7, 2002 the Village approved the issuance of \$300,000 in note debt to finance the purchase of the Bank of Leipsic Building. The proceeds were received on January 11, 2002.

**12. RELATED PARTY TRANSACTIONS**

The Village contracts with a local insurance agency for insurance coverage, which is partially owned by Kevin Lamon, a member of Council. The Village paid premiums of \$13,483 in 2000 and \$737 in 2001.



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**REPORT OF INDEPENDENT ACCOUNTANTS 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 (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated April 25, 2002. 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 performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our 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 are described in the accompanying schedule of findings as items 2001-30269-001, 2001-30269-002, 2001-30269-003, 2001-30269-004, and 2001-30269-005. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated April 25, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 an instance involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 judgment, could adversely affect the Village's ability to record, process, summarized and report financial data consistent the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-30269-006.

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. 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 the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated April 25, 2002.

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

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

**Jim Petro**  
Auditor of State

April 25, 2002

VILLAGE OF LEIPSIC  
PUTNAM COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2001 AND 2000

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

FINDING NUMBER 2001-30269-001

**Noncompliance Citation**

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

Although all deposits were adequately protected at year end, the Village's deposits exceeded the depository insurance and the pledged collateral throughout 2000, including a maximum \$466,359 at June 30, 2000.

We recommend management regularly review collateral on deposits to ensure the market value of eligible securities held by qualified trustees sufficiently cover all bank deposits.

FINDING NUMBER 2001-30269-002

**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. There were several funds with deficit cash balances throughout the year, including the following funds with deficit balances at year end:

<u>Fund</u>	<u>December 31, 2001</u>	<u>December 31, 2000</u>
General		\$6,935
Street Construction, Maintenance and Repair		7,929
Fire	\$141,746	180,081
Capital Projects Development	25,702	
Capital Project Pool	50,436	86,244
Water Revenue		34,615
Sewer Debt		46,199

We recommend the Village monitor cash balances and make transfers or advances as necessary from the General Fund or reduce planned expenditures to avoid deficit balances.

FINDING NUMBER 2001-30269-003

**Noncompliance Citation**

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

**FINDING NUMBER 2001-30269-003  
(Continued)**

Appropriations exceeded estimated revenue in the following funds:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Appropriations in excess of estimated resources</u>
<b>December 31, 2000</b>			
General	\$797,948	\$863,135	\$65,187
Street Construction, Maintenance and Repair	193,598	262,250	68,652
Permissive License Tax	24,000	28,000	4,000
Fire	286,098	380,500	94,402
Issue II	15,984	40,000	24,016
Wastewater Improvement	806,779	1,050,000	243,221
Water Revenue	317,112	470,000	152,888
<b>December 31, 2001</b>			
General	1,072,115	1,178,070	105,955
Street Construction Maintenance and Repair	200,071	330,000	129,929
Issue II	138,128	225,000	86,872
Water Revenue	349,553	450,000	100,447
Waste Water Debt	338,301	353,250	14,949

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 2001-30269-004**

**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.

At November 30, 2000, there were twenty-one instances, and at December 31, 2001, thirty seven instances, for which expenditures exceeded appropriations at the fund/function/object legal level of control, in amounts ranging from \$100 to \$371,210. In addition, the following funds had expenditures exceeding appropriations at year end:

<u>Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
<b>December 31, 2000</b>			
Street Construction Maintenance Repair	\$262,250	\$272,982	(\$10,732)
State Highway	4,580	5,232	(652)
Fire	380,500	383,045	(2,545)
Water	470,000	514,638	(44,638)
Water Debt	138,500	138,600	(100)
Wastewater	283,150	303,519	(20,369)
Wastewater Debt	311,000	325,779	(14,779)

**FINDING NUMBER 2001-30269-004  
 (Continued)**

<b>December 31, 2001</b>			
General	\$1,178,070	1,268,193	\$(90,123)
State Highway	4,520	5,131	(611)
Fire	45,840	51,141	(5,301)
Water	450,000	467,986	(17,986)
Wastewater	308,000	347,923	(39,923)

The Clerk/Treasurer should not issue purchase orders for expenditures that would exceed appropriations. The Clerk/Treasurer should inform the Council of the insufficiency of appropriations, and whether current resources permit an increase to appropriations. The Council should determine if they wish to increase appropriations and if needed, obtain an amended certificate of estimated resources.

**FINDING NUMBER 2001-30269-005**

**Noncompliance Citation**

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

This section also provides two exceptions to the above requirements:

- A. Then and Now Certificate - if no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the purchase order or contract and at the time of the certificate, appropriated and free of any previous encumbrance, the Council may authorize the issuance of a check in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- B. If the amount involved is less than \$1,000, the fiscal officer may authorize it to be paid without the affirmation of the Council, if such expenditure is otherwise valid.

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

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

## FINDING NUMBER 2001-30269-006

### Material Weakness - Safeguarding Deposits

At various times during the audit period the Village had significant deposits with its financial institution that were uninsured and uncollateralized, including \$446,359 at June 30, 2000. In addition to the safeguards provided by Ohio Rev. Code Chapter 135, the Village should periodically do the following to help assure its deposits are secure:

1. Obtain a listing of pledged collateral from the financial institution.
2. Compare the fair value of the collateral plus the Federal Depository Insurance Corporation (FDIC) insurance with the value of the deposits the financial institution holds. At December 31, 2001 securities pledged by the financial institution on behalf of the Village had a PAR value of \$1,350,000; however, the market value was only \$431,613. (FDIC insurance covers up to \$100,000 of interest-bearing deposits and up to \$100,000 of noninterest bearing deposits per official custodian.)
3. Determine whether securities pledged conform with the securities eligible for pledging listed in Ohio Revised Code Section 135.18(B).
4. Confirm securities pledged with the qualified trustee.
5. Annually obtain the financial institution's audited financial statements. Consider the adequacy of the institution's capital and its profitability in recent years. Also consider the type of transactions it undertakes, whether it takes large speculative positions and its management's experience and background.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001 AND 2000**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
1999-302669-001	<b>ORC §135.18</b> uninsured and uncollateralized deposits	No	Some improvement has been made, however, this finding has been repeated in this report as finding 2001-30269-001.
1999-30269-002	<b>ORC §5705.10</b> deficit cash balances	No	This finding has not been corrected and has been repeated in this report as finding 2001-30269-002.
1999-30269-003	<b>ORC §§ 5705.40 &amp; 41(B)</b> expenditures in excess of appropriations	No	This finding has not been corrected and has been repeated in this report as finding 2001-30269-004.
1999-30269-004	<b>ORC § 5705.41(D)</b> certification of funds	No	This finding has not been corrected and has been repeated in this report as finding 2001-30269-005.
1999-30269-005	<b>ORC § 5705.09 (F)</b>	N/A	Finding No Longer Valid





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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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  
MAY 21, 2002**