

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
**FINANCIAL STATEMENTS**  
*Year Ended December 31, 2004*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Leipsic, Putnam County, prepared by Steyer & Co., for the audit period January 1, 2004 through 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.

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 Leipsic is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

February 13, 2007

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# STEYER & CO.

*Certified Public Accountants*

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## INDEPENDENT AUDITOR'S REPORT

Village of Leipsic  
Putnam County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Governmental Auditing Standards*. 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 our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Village prepares its financial statements on the modified cash basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio, as of December 31, 2004, and the respective changes in financial position – modified cash basis, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

For the year ended December 31, 2004, the Village revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 – 8 and 12 are not a required part of the basic financial statements but are supplementary information

required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Steyer & Co." with a period at the end.

STEYER & CO.  
Certified Public Accountants  
Defiance, Ohio  
November 3, 2006

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

This discussion and analysis of the Village of Leipsic's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2004, within the limitations of the Village's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$530,550, or 312%, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which realized the proceeds from a sale of land to the Putnam County Community Improvement Corporation.

The Village's general receipts are primarily municipal income taxes. These receipts represent 67% of the total cash received for governmental activities during the year. Income tax receipts for 2004 increased 20% compared to 2003 indicative of increased earnings within the Village of Leipsic.

The Water Fund, the Sanitary Sewer Fund, the Wastewater Debt Fund and the Water Debt Fund, the Village of Leipsic's major business-type activities, realized changes in net assets of an increase of 29%, an increase of 105%, a decrease of 72%, and a decrease of 1%, respectively. The majority of these changes are due to transfers in to each fund from the General Fund to subsidize debt service.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's modified cash basis of accounting.

**Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the village-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

**Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Basis of Accounting (Continued)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Government as a Whole**

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate legal entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2004, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activity. The Village has two business-type activities, the provision of water and sewer. Business-type activities are financed by a fee charged to the customers receiving the service.

**Reporting the Village's Most Significant Funds**

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental fund is the General Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds - When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four enterprise funds, the Water Fund, Sanitary Sewer Fund, Wastewater Debt Fund, and Water Debt Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2004 compared to 2003 on a cash basis:

(Table 1)  
**Net Assets**

Assets	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Cash and cash equivalents	\$ 700,374	\$ 169,824	\$ 172,652	\$ 283,185	\$ 873,026	\$ 453,009
Total Assets	<u>\$ 700,374</u>	<u>\$ 169,824</u>	<u>\$ 172,652</u>	<u>\$ 283,185</u>	<u>\$ 873,026</u>	<u>\$ 453,009</u>
<b>Net Assets</b>						
Unrestricted	\$ 700,374	\$ 169,824	\$ 172,652	\$ 283,185	\$ 873,026	\$ 453,009
Total Net Assets	<u>\$ 700,374</u>	<u>\$ 169,824</u>	<u>\$ 172,652</u>	<u>\$ 283,185</u>	<u>\$ 873,026</u>	<u>\$ 453,009</u>

As mentioned previously, net assets of governmental activities increased \$530,550 or 312% during 2004. The primary reasons contributing to the increases in cash balances are as follows:

Land was sold for economic development to the Putnam County Community Improvement Corporation for \$432,102.

Table 2 reflects the changes in net assets in 2004 compared to 2003 on a modified cash basis:

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

(Table 2)  
**Changes in Net Assets**

	<b>Governmental Activities 2004</b>	<b>Governmental Activities 2003</b>	<b>Business-Type Activities 2004</b>	<b>Business-Type Activities 2003</b>	<b>Total 2004</b>	<b>Total 2003</b>
<b>RECEIPTS:</b>						
<b>PROGRAM RECEIPTS:</b>						
Charges for services and sales	\$ 54,484	\$ 65,287	\$ 1,022,654	\$ 992,915	\$1,077,138	\$1,058,202
Capital grants and contributions	19,750	21,500	-	-	19,750	21,500
Total program receipts	<u>74,234</u>	<u>86,787</u>	<u>1,022,654</u>	<u>992,915</u>	<u>1,096,888</u>	<u>1,079,702</u>
<b>GENERAL RECEIPTS:</b>						
Property and other local taxes	256,444	255,094	79,196	64,797	335,640	319,891
Income taxes	2,103,480	1,749,464	-	-	2,103,480	1,749,464
Grants and entitlements not restricted to specific programs	262,695	178,126	9,493	25,131	272,188	203,257
Sale of capital assets	433,223	-	-	-	433,223	-
Sale of notes	-	400,000	-	-	-	400,000
Fines, licenses and permits	11,096	30,864	39,998	4,440	51,094	35,304
Interest	9,139	114	-	-	9,139	114
Miscellaneous	46,534	925	1,378	8,009	47,912	8,934
Total general receipts	<u>3,122,611</u>	<u>2,614,587</u>	<u>130,065</u>	<u>102,377</u>	<u>3,252,676</u>	<u>2,716,964</u>
Total receipts	<u>3,196,845</u>	<u>2,701,374</u>	<u>1,152,719</u>	<u>1,095,292</u>	<u>4,349,564</u>	<u>3,796,666</u>
<b>DISBURSEMENTS:</b>						
General government	252,372	357,127	-	-	252,372	357,127
Security of persons and property	279,213	243,179	-	-	279,213	243,179
Public health services	2,636	2,642	-	-	2,636	2,642
Leisure time activities	86,469	73,274	-	-	86,469	73,274
Community environment	13,557	78,882	-	-	13,557	78,882
Transportation	208,966	228,525	2,168	2,020	211,134	230,545
Capital Outlay	724,969	300,486	323,764	142,132	1,048,733	442,618
Debt Service:						
Principal	308,500	658,500	359,157	161,082	667,657	819,582
Interest	30,984	41,943	331,370	221,716	362,354	263,659
Personal services	-	1,625	491,518	477,094	491,518	478,719
Contractual services	50,629	-	345,118	247,629	395,747	247,629
Supplies and materials	-	-	118,157	91,545	118,157	91,545
Total disbursements	<u>1,958,295</u>	<u>1,986,183</u>	<u>1,971,252</u>	<u>1,343,218</u>	<u>3,929,547</u>	<u>3,329,401</u>
Excess (deficiency) before transfers	1,238,550	715,191	(818,533)	(247,926)	420,017	467,265
Transfers	(708,000)	(300,000)	708,000	300,000	-	-
Increase (decrease) in net assets	530,550	415,191	(110,533)	52,074	420,017	467,265
Net assets, January 1	169,824	(245,367)	283,185	231,111	453,009	(14,256)
Net assets, December 31	<u>\$ 700,374</u>	<u>\$ 169,824</u>	<u>\$ 172,652</u>	<u>\$ 283,185</u>	<u>\$ 873,026</u>	<u>\$ 453,009</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

Program receipts represent only 25% of total receipts and are primarily comprised of water and sewer user fees. Intergovernmental receipts such as CDBG grants as well as EMS rent, shelter house rent, swimming pool admissions, and concessions are also included in program receipts.

In 2004, general receipts represent 75% of the Village of Leipsic's total receipts, and of this amount, 75% are local taxes; 15% are miscellaneous receipts; 8% are state grants and entitlements. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village of Leipsic and the support services provided for the other government activities. These include the costs of council, mayor, administrator, solicitor, fiscal officer, and community environment departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the pool and parks; the economic development department promotes the Village of Leipsic to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

**Governmental Activities**

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Village of Leipsic. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital improvements, which account for 37% of all governmental disbursements. Security of persons and property, debt service, transportation, and general government also represent significant costs, about 14%, 17%, 11%, and 13%, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village of Leipsic that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement of Activities. A comparison between the total cost of services and the net cost in 2004 compared to 2003 is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost Of Services 2004	Net Cost of Services 2004	Total Cost of Services 2003	Net Cost of Services 2003
General government	\$ 252,372	\$ 202,890	\$ 357,127	\$ 298,922
Security of persons and property	279,213	279,213	243,179	243,179
Public health services	2,636	(964)	2,642	2,642
Leisure time activities	86,469	65,317	73,274	44,692
Community environment	13,557	13,557	78,882	78,882
Transportation	208,966	208,966	228,525	228,525
Contractual services	50,629	50,629	-	-
Capital outlay	724,969	724,969	300,486	300,486
Principal retirement	308,500	308,500	658,500	658,500
Interest and fiscal charges	30,984	30,984	41,943	41,943
Personal services	-	-	1,625	1,625
Total expenses	<u>\$ 1,958,295</u>	<u>\$ 1,884,061</u>	<u>\$ 1,986,183</u>	<u>\$ 1,899,396</u>

The dependence upon property and income tax receipts is apparent as over 95% of governmental activities are supported through these and other general receipts.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
UNAUDITED**

**Business-type Activities**

The Village of Leipsic has two major business type activities, the provision of water and sewer, which are accounted for in the Water Fund and the Sanitary Sewer Fund. Charges for services support 52% of the business-type activity disbursements.

**The Government's Funds**

As you look at the Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances you will see total governmental funds had receipts and other financing sources of \$3,453,991 and disbursements and other financing uses of \$2,923,441. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$432,102 due to a sale of land to the Putnam County Community Improvement Corporation.

The Other Governmental Funds receipts were less than disbursements by \$207,740 indicating that these funds are in a deficit spending situation. Management feels that short term deficit spending is acceptable based upon the fund balance but will continue to look for cost cutting measures as personal property tax and intergovernmental revenues are expected to decrease in the future.

**General Fund Budgeting Highlights**

The Village of Leipsic's budget is prepared according to Ohio law and the Village of Leipsic Charter and is based upon accounting for certain transactions on a basis of modified cash receipts, disbursements, and encumbrances.

Final disbursements and other financing uses in the General Fund were budgeted at \$1,294,385 while actual disbursements were \$2,454,017.

**Capital Assets and Debt Administration**

**Capital Assets**

The Village of Leipsic does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

**Debt**

At December 31, 2004, the Village of Leipsic's outstanding debt included \$192,000 for a pool note, \$150,000 for a building note, \$225,000 for fire station notes, \$2,289,630 in Ohio Water Development Authority (OWDA) loans for acquisition and improvements to wastewater facilities, \$255,848 in Ohio Public Works Commission (OPWC) loans for improvements to sewer utility services, \$675,000 for a sewer system improvement note, and \$2,212,000 for a waterworks system mortgage revenue bond. For further information regarding the Village of Leipsic's debt, refer to Note 10 in the basic financial statements.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village of Leipsic is constantly looking at ways to cut costs without cutting services.

**Contacting the Village's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Rosemary Schortgen, Fiscal Officer, Village of Leipsic, 142 E. Main Street, Leipsic, Ohio 45856.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS  
December 31, 2004**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 700,374	\$ 172,652	\$ 873,026
Total assets	<u>\$ 700,374</u>	<u>\$ 172,652</u>	<u>\$ 873,026</u>
<b>NET ASSETS</b>			
Unrestricted	\$ 700,374	\$ 172,652	\$ 873,026
Total net assets	<u>\$ 700,374</u>	<u>\$ 172,652</u>	<u>\$ 873,026</u>

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
*For The Year Ended December 31, 2004*

	<u>Program Cash Receipts</u>			<u>Net (Disbursements) Receipts &amp; Changes in Net Assets</u>		
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 252,372	\$ 29,732	\$ 19,750	\$ (202,890)	\$ -	\$ (202,890)
Security of persons and property	279,213	-	-	(279,213)	-	(279,213)
Public health services	2,636	3,600	-	964	-	964
Leisure time activities	86,469	21,152	-	(65,317)	-	(65,317)
Community environment	13,557	-	-	(13,557)	-	(13,557)
Transportation	208,966	-	-	(208,966)	-	(208,966)
Contractual services	50,629	-	-	(50,629)	-	(50,629)
Capital Outlay	724,969	-	-	(724,969)	-	(724,969)
Debt Service:						
Principal	308,500	-	-	(308,500)	-	(308,500)
Interest	30,984	-	-	(30,984)	-	(30,984)
Total governmental activities	<u>1,958,295</u>	<u>54,484</u>	<u>19,750</u>	<u>(1,884,061)</u>	<u>-</u>	<u>(1,884,061)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Personal services	491,518	1,022,654	-	-	531,136	531,136
Transportation	2,168	-	-	-	(2,168)	(2,168)
Contractual services	345,118	-	-	-	(345,118)	(345,118)
Supplies and materials	118,157	-	-	-	(118,157)	(118,157)
Capital Outlay	323,764	-	-	-	(323,764)	(323,764)
Debt Service:						
Principal	359,157	-	-	-	(359,157)	(359,157)
Interest	331,370	-	-	-	(331,370)	(331,370)
Total business type activities	<u>1,971,252</u>	<u>1,022,654</u>	<u>-</u>	<u>-</u>	<u>(948,598)</u>	<u>(948,598)</u>
Total	<u>\$ 3,929,547</u>	<u>\$1,077,138</u>	<u>\$ 19,750</u>	<u>\$(1,884,061)</u>	<u>\$ (948,598)</u>	<u>\$(2,832,659)</u>
<b>GENERAL RECEIPTS</b>						
Property taxes levied for general purposes				\$ 256,444	\$ 79,196	\$ 335,640
Municipal income taxes				2,103,480	-	2,103,480
Grants & entitlements not restricted to specific				262,695	9,493	272,188
Sale of capital assets				433,223	-	433,223
Fines, licenses and permits				11,096	39,998	51,094
Interest				9,139	-	9,139
Miscellaneous				<u>46,534</u>	<u>1,378</u>	<u>47,912</u>
Total General Receipts				3,122,611	130,065	3,252,676
Transfers				<u>(708,000)</u>	<u>708,000</u>	<u>-</u>
Total General Receipts & Transfers				<u>2,414,611</u>	<u>838,065</u>	<u>3,252,676</u>
Change in Net Assets				530,550	(110,533)	420,017
Net Assets Beginning of Year				<u>169,824</u>	<u>283,185</u>	<u>453,009</u>
Net Assets End of Year				<u>\$ 700,374</u>	<u>\$ 172,652</u>	<u>\$ 873,026</u>

See accompanying notes to financial statements

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2004**

	<b>General</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 631,783	\$ 68,591	\$ 700,374
Total assets	\$ 631,783	\$ 68,591	\$ 700,374
<b>FUND BALANCES</b>			
Reserved:			
Reserved for encumbrances	\$ 8,093	\$ 29,541	\$ 37,634
Unreserved:			
Undesignated (deficit), reported in:			
General fund	623,690	-	623,690
Special revenue funds	-	38,934	38,934
Capital projects funds	-	116	116
Total Fund Balances	\$ 631,783	\$ 68,591	\$ 700,374

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN MODIFIED CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS**  
*For the Year Ended December 31, 2004*

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>			
Municipal income taxes	\$ 2,103,480	\$ -	\$ 2,103,480
Property and other local taxes	179,670	76,774	256,444
Changes for services	24,752	29,732	54,484
Fines, licenses and permits	10,653	443	11,096
Intergovernmental	121,472	160,973	282,445
Interest	9,139	-	9,139
Miscellaneous	44,625	1,855	46,480
Total receipts	<u>2,493,791</u>	<u>269,777</u>	<u>2,763,568</u>
<b>DISBURSEMENTS</b>			
Current:			
General governmental	\$ 252,372	\$ -	\$ 252,372
Security of persons and property	186,905	92,308	279,213
Public health services	2,636	-	2,636
Leisure time activities	86,469	-	86,469
Community environment	13,557	-	13,557
Transportation	-	208,966	208,966
Contractual services	-	50,629	50,629
Capital outlay	599,355	125,614	724,969
Debt service:			
Principal retirement	308,500	-	308,500
Interest and fiscal charges	30,984	-	30,984
Total disbursements	<u>1,480,778</u>	<u>477,517</u>	<u>1,958,295</u>
Excess of receipts over disbursements	<u>1,013,013</u>	<u>(207,740)</u>	<u>805,273</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	\$ 433,223	\$ -	\$ 433,223
Transfers in	-	247,000	247,000
Transfers out	(955,000)	-	(955,000)
Other financing sources	-	10,200	10,200
Other financing uses	(10,146)	-	(10,146)
Total other financing sources (uses)	<u>(531,923)</u>	<u>257,200</u>	<u>(274,723)</u>
Net change in fund balances	481,090	49,460	530,550
Fund balances beginning of year	<u>150,693</u>	<u>19,131</u>	<u>169,824</u>
Fund balances end of year	<u>\$ 631,783</u>	<u>\$ 68,591</u>	<u>\$ 700,374</u>

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGETARY BASIS  
GENERAL FUND**

*For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>RECEIPTS</b>				
Municipal income taxes	\$ 1,000,000	\$ 1,000,000	\$ 2,103,480	\$ 1,103,480
Property and other local taxes	139,000	139,000	179,670	40,670
Changes for services	18,700	18,700	24,752	6,052
Fines, licenses and permits	9,400	9,400	10,653	1,253
Intergovernmental	116,700	116,700	121,472	4,772
Interest	500	500	9,139	8,639
Miscellaneous	22,000	22,000	44,625	22,625
Total receipts	<u>1,306,300</u>	<u>1,306,300</u>	<u>2,493,791</u>	<u>1,187,491</u>
<b>DISBURSEMENTS</b>				
Current:				
General governmental	251,710	251,710	260,468	8,758
Security of persons and property	187,750	187,750	186,906	(844)
Public health services	1,000	1,000	2,636	1,636
Leisure time activities	137,425	137,425	91,887	(45,538)
Community environment	15,500	15,500	15,661	161
Capital outlay	15,000	15,000	591,829	576,829
Debt service:				
Principal retirement	400,000	400,000	339,484	(60,516)
Total disbursements	<u>1,008,385</u>	<u>1,008,385</u>	<u>1,488,871</u>	<u>480,486</u>
Excess of receipts over disbursements	297,915	297,915	1,004,920	707,005
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	1,000	1,000	433,223	432,223
Transfers out	(241,000)	(241,000)	(955,000)	(714,000)
Other financing uses	(45,000)	(45,000)	(10,146)	34,854
Total other financing sources (uses)	<u>(285,000)</u>	<u>(285,000)</u>	<u>(531,923)</u>	<u>(246,923)</u>
Net change in fund balances	12,915	12,915	472,997	460,082
Fund balances beginning of year	143,314	143,314	143,314	-
Prior year encumbrances appropriated	<u>7,379</u>	<u>7,379</u>	<u>7,379</u>	<u>-</u>
Fund balances end of year	<u>\$ 163,608</u>	<u>\$ 163,608</u>	<u>\$ 623,690</u>	<u>\$ 460,082</u>

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
December 31, 2004**

	<b>Business-Type Activities</b>				<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Sanitary Sewer Fund</b>	<b>Wastewater Debt Fund</b>	<b>Water Debt Fund</b>	
<b>ASSETS</b>					
Equity in pooled cash & cash equivalents	\$ 13,559	\$ 16,288	\$ 47,277	\$ 95,528	\$ 172,652
Total Assets	\$ 13,559	\$ 16,288	\$ 47,277	\$ 95,528	\$ 172,652
<b>NET ASSETS</b>					
Unrestricted	\$ 13,559	\$ 16,288	\$ 47,277	\$ 95,528	\$ 172,652

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF CASH RECEIPTS,  
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2004**

**Business-Type Activities**

	<b>Water Fund</b>	<b>Sanitary Sewer Fund</b>	<b>Wastewater Debt Fund</b>	<b>Water Debt Fund</b>	<b>Total Enterprise Funds</b>
<b>OPERATING RECEIPTS</b>					
Charges for services	\$ 264,507	\$ 409,212	\$ 212,375	\$ 136,560	\$ 1,022,654
Fines, license and permits	28,169	11,829	-	-	39,998
Miscellaneous	1,297	-	-	-	1,297
Total operating receipts	<u>293,973</u>	<u>421,041</u>	<u>212,375</u>	<u>136,560</u>	<u>1,063,949</u>
<b>OPERATING DISBURSEMENTS</b>					
Personal services	263,715	227,803	-	-	491,518
Travel transportation	1,090	1,078	-	-	2,168
Contractual services	156,821	188,297	-	-	345,118
Supplies and materials	56,000	62,157	-	-	118,157
Capital outlay	43,337	280,427	-	-	323,764
Total operating disbursements	<u>520,963</u>	<u>759,762</u>	<u>-</u>	<u>-</u>	<u>1,280,725</u>
Operating income	(226,990)	(338,721)	212,375	136,560	(216,776)
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS)</b>					
Property and other local taxes	-	-	79,196	-	79,196
Intergovernmental	-	-	9,493	-	9,493
Principal payments	-	-	(333,157)	(26,000)	(359,157)
Interest and fiscal charges	-	-	(219,470)	(111,900)	(331,370)
Other financing sources	-	81	-	-	81
Total non-operating receipts (disbursements)	<u>-</u>	<u>81</u>	<u>(463,938)</u>	<u>(137,900)</u>	<u>(601,757)</u>
Loss before transfers	(226,990)	(338,640)	(251,563)	(1,340)	(818,533)
Transfer in	<u>230,000</u>	<u>347,000</u>	<u>131,000</u>	<u>-</u>	<u>708,000</u>
Change in net assets	3,010	8,360	(120,563)	(1,340)	(110,533)
Net assets beginning of year	<u>10,549</u>	<u>7,928</u>	<u>167,840</u>	<u>96,868</u>	<u>283,185</u>
Net assets end of year	<u>\$ 13,559</u>	<u>\$ 16,288</u>	<u>\$ 47,277</u>	<u>\$ 95,528</u>	<u>\$ 172,652</u>

*See accompanying notes to financial statements*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 1 – REPORTING ENTITY**

The Village of Leipsic, Putnam County, Ohio (the Village), is a body politic and corporate 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.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, police services, and fire services.

**B. Component Units**

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**A. Basis of Presentation**

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government and distinguish between those activities of the Village that are governmental and those that are considered business type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-Wide Financial Statements (Continued)

The statement of net assets presents the cash balance of the governmental and business-type activities of the Village at year-end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a modified cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Government Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has one major governmental fund which is the General Fund.

- The General Fund is used to account for all financial resources, except required those to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds - Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund, Sanitary Sewer Fund, Wastewater Debt Fund, and Water Debt Fund.

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sanitary Sewer Fund - The sanitary sewer fund accounts for the provision of wastewater services to the residents and commercial users within the Village.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Wastewater Debt Fund - The wastewater debt fund accounts for the debt issues relating to the sanitary sewer services facility.

Water Debt Fund - The water debt fund accounts for the debt issues relating to the waterworks system.

**C. Basis of Accounting**

The Village's financial statements are prepared using the modified cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund/function/object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

**E. Cash**

Cash received by the Village is pooled and used by all funds. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2004 were \$9,139.

**F. Accumulated Leave**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G. Employer Contributions to Cost-Sharing Pension Plans**

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**H. Long-Term Obligations**

The Village's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**I. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital expenditures such as land and land improvements, street improvements, and police and fire equipment.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance, which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**K. Interfund Transactions**

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**NOTE 3 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General Fund, are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$8,093 for the General Fund.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 – DEPOSITS AND INVESTMENTS**

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

At year end, the Village had \$110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,001,301 of the Village's bank balance of \$1,101,360 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**NOTE 5 – INCOME TAXES**

The Village levies a 1.5% income tax whose proceeds are placed into the Local Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100% of the 1.5% tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

**NOTE 6 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, and are collected with real property taxes. Public utility real property is assessed at 35% true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25% of true value for capital assets and 23% for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all village operations for the year ended December 31, 2004, was \$8.35 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 6 – PROPERTY TAXES (CONTINUED)**

Real Property	
Residential/Agricultural	\$ 15,740,900
Commercial/Industrial	4,223,390
Public Utilities	49,310
Tangible Personal Property	
General	26,343,951
Public Utilities	3,103,210
Total Assessed Value	<u>\$ 49,460,761</u>

**NOTE 7 – RISK MANAGEMENT**

**Risk Pool Membership**

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

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

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

Property Coverage

PEP retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003 (the latest information available).

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,547,049	\$ 25,288,098
Liabilities	(16,989,918)	(12,872,985)
Retained earnings	<u>\$ 13,557,131</u>	<u>\$ 12,415,113</u>
 <u>Property Coverage</u>	 <u>2004</u>	 <u>2003</u>
Assets	\$ 3,652,970	\$ 3,158,813
Liabilities	(544,771)	(792,061)
Retained earnings	<u>\$ 3,108,199</u>	<u>\$ 2,366,752</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 8 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6701 or (800) 222-7377.

For the year ended December 31, 2004, the members of all three plans were required to contribute 8.5% of their annual covered salaries. The employer contribution rate for pension benefits for 2004 was 13.55%. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the combined plans for the years ended December 31, 2004, 2003, and 2002, were \$76,115, \$70,161, and \$70,220, respectively. The full amount has been contributed for 2004, 2003, and 2002.

**B. Ohio Police and Fire Pension Fund**

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their annual covered salary to fund pension benefits while the employer is required to contribute 19.50% for police officers. Contributions are authorized by State statute. The Village's contributions to OP&F for police officers were \$15,839 for the year ended December 31, 2004, \$13,625 for the year ended December 31, 2003, and \$15,448 for the year ended December 31, 2002. The full amount has been contributed for 2003 and 2002. Seventy-two percent has been contributed for 2004.

**NOTE 9 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 9 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55% of covered payroll; 4% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1 to 6% annually for the next eight years and 4% annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual Village contributions for 2004 which were used to fund post employment benefits were \$21,953. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) was \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Post-employment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5% of covered payroll of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2004 that were used to fund postemployment health care benefits were \$6,295 for police. The OP&F's total health care expense for the year ended December 31, 2004, (the latest information available) was \$150,853,148, which was net of member contributions of \$17,207,506. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,662 for police.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 10 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest	Balance			Balance	Due
	Rate	12-31-03	Additions	Reductions	12-31-04	Within
						1 Year
<u>Governmental Activities</u>						
Pool note	5.50%	\$ 288,000	\$ -	\$ 96,000	\$ 192,000	\$ 96,000
Building note	2.50%	250,000	-	100,000	150,000	100,000
Fire station note	3.50%	150,000	-	50,000	100,000	62,500
Fire station note	3.50%	187,500	-	62,500	125,000	50,000
Total Gov. Activities		<u>\$ 875,500</u>	<u>\$ -</u>	<u>\$ 308,500</u>	<u>\$ 567,000</u>	<u>\$ 308,500</u>
<u>Business-type Activities</u>						
OWDA #1682	7.89%	\$ 724,507	\$ -	\$ 67,398	\$ 657,109	\$ 23,618
OWDA #2316	4.12%	1,779,525	-	147,004	1,632,521	70,157
OPWC #CM725	0.00%	72,819	-	6,620	66,199	3,310
OPWC #CM21B	0.00%	82,084	-	5,295	76,789	2,648
OPWC #CM24D	0.00%	119,700	-	6,840	112,860	3,420
Sewer bond	4.15%	75,000	-	75,000	-	-
Sewer note	5.15%	700,000	-	25,000	675,000	30,000
Waterworks bond	5.00%	2,238,000	-	26,000	2,212,000	28,000
Total Bus-Type Activities		<u>\$ 5,791,635</u>	<u>\$ -</u>	<u>\$ 359,157</u>	<u>\$ 5,432,478</u>	<u>\$ 161,153</u>

The Municipal Swimming Pool Note relates to the costs of constructing and renovating the swimming pool. The note will be repaid in semiannual installments of \$48,000 over 5 years. Income tax revenues are the dedicated source of repayment for these loans.

The Building Note relates to the costs of acquiring certain real estate property where the Village offices reside. The note will be repaid in semiannual installments of \$50,000 over 3 years. Income tax revenues are the dedicated source of repayment for these loans.

The Fire Station Notes relate to the costs of constructing, furnishing, equipping and improving a municipal fire station and improving the site. The notes will be repaid in semiannual installments of \$31,250 and \$25,000, respectively. Income tax revenues are the dedicated source of repayment for these loans.

The Ohio Water Development Authority (OWDA) loan #1682 relates to the acquisition of wastewater treatment and/or water management. The loan will be repaid in semiannual installments of \$50,472 including interest, over 25 years. Utility system charges are the dedicated source of repayment for these loans.

The Ohio Water Development Authority (OWDA) loan #2316 relates to the wastewater treatment plant improvements. The loan will be repaid in semiannual installments of \$84,967 including interest, over 20 years. Utility system charges are the dedicated source of repayment for these loans.

The Ohio Public Works Commission (OPWC) 0% loans relate to a sewer replacement project, a street storm sewer, and a sanitary sewer separation project. The sewer replacement project loan, the street storm sewer loan, and the sanitary sewer separation project loan will be repaid in semiannual installments of \$3,310, \$3,420, and \$2,648, respectively, all over 20 years.

The Sewer System Improvement Bond, Series 1999, relates to the costs of improving the Village's sanitary sewer system and constructing and installing a pumping station. The bond will be repaid in annual installments of \$25,000 over 4 years and a final installment of \$75,000 in year 5.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 10 – DEBT (CONTINUED)**

The Sewer System Improvement Note, Series 2000, relates to the costs of improving the Village’s sanitary sewer system and waterworks system by acquiring and installing a water tower, acquiring and installing a new grit chamber at the Village’s waste water treatment plant, and constructing storm sewer bypasses at various locations throughout the Village. The note will be repaid in annual installments of \$25,000 over 4 years, \$30,000 over 2 years, and a final installment of \$615,000 in year 7.

The Waterworks System Mortgage Revenue Bonds, Series 1997, relates to the costs of improving the Village waterworks system by acquiring and constructing improvements to and an expansion of the Village’s water treatment plant, water storage facilities, and water distribution and supply system and to provide funds to retire outstanding temporary Mortgage Revenue Bonds, Series 1995, of the Village. The bond will be repaid in annual installments of various amounts over 40 years.

The following is a summary of the Village’s future annual debt service requirements:

Year	Pool Note		Building Note		Fire Station Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 96,000	\$ 9,240	\$ 100,000	\$ 3,125	\$ 112,500	\$ 6,891
2006	96,000	3,960	50,000	625	112,500	2,953
Totals	<u>\$ 192,000</u>	<u>\$ 13,200</u>	<u>\$ 150,000</u>	<u>\$ 3,750</u>	<u>\$ 225,000</u>	<u>\$ 9,844</u>

Year	OWDA Loans		OPWC Loans		Sewer Note	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 70,157	\$ 57,758	\$ 9,378	\$ -	\$ 30,000	\$ 33,990
2006	155,533	108,620	18,756	-	30,000	32,445
2007	163,907	100,701	18,756	-	615,000	15,836
2008	172,780	92,318	18,756	-	-	-
2009	182,182	83,443	18,756	-	-	-
2010-2014	1,073,134	264,488	18,756	-	-	-
2015-2019	471,937	34,605	90,469	-	-	-
2020-2024	-	-	55,383	-	-	-
2025-2029	-	-	6,840	-	-	-
Totals	<u>\$ 2,289,630</u>	<u>\$ 741,933</u>	<u>\$ 255,850</u>	<u>\$ -</u>	<u>\$ 675,000</u>	<u>\$ 82,271</u>

Year	Waterworks Bond	
	Principal	Interest
2005	\$ 28,000	\$ 110,600
2006	29,000	109,200
2007	31,000	107,750
2008	32,000	106,200
2009	34,000	104,600
2010-2014	195,000	496,000
2015-2019	249,000	442,100
2020-2024	316,000	373,500
2025-2029	405,000	286,000
2030-2034	517,000	174,050
2035-2039	376,000	38,250
Totals	<u>\$ 2,212,000</u>	<u>\$ 2,348,250</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2004**

**NOTE 10 – DEBT (CONTINUED)**

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2004, were an overall debt margin of \$2,345,342 and an unvoted debt margin of \$4,818,380.

**NOTE 11 – OPERATING LEASE COMMITMENT**

The Village leases a copier under an operating lease with a minimum commitment of 12 months. The monthly rentals are determined by a meter program. In years 2004 and 2005, the meter rate is \$0.015 per copy.

**NOTE 12 – INTERFUND TRANSFERS**

During 2004 the following transfers were made:

Transfers from the General Fund (which includes the Local Income Tax Fund):	
Sanitary Sewer Fund	\$ 347,000
Water Fund	230,000
Wastewater Debt Fund	131,000
Street Construction Maintenance & Repair Fund	175,000
Construction (CDBG) Fund	35,500
Other Capital Projects Fund	34,500
Fire Fund	2,000
Total Transfers from General Fund	<u>\$ 955,000</u>

Transfers were made out of the Village's General Fund to subsidize debt service payments and other expenditures in 2004.

**NOTE 13 – CONTINGENT LIABILITIES**

The Village is collaterally involved in a litigation. Although management cannot presently determine the outcome of the suit, they believe the resolution of these matters will have no economic effect on the Village. It is a declaratory judgment action and no money damages are sought by either party against the other.

**NOTE 14 – SUBSEQUENT EVENTS**

On September 20, 2004, the Village Council passed a resolution authorizing the purchase of 63.5 acres plus or minus in Van Buren Township of Putnam County, Ohio. This purchase was completed on September 28, 2004, for a price of \$451,872. On October 18, 2004, Village Council passed a resolution authorizing the annexation of this property into the Village of Leipsic. On November 3, 2004, records on file with the Secretary of State indicate the formation of a limited liability company in the name of PCI LLC. The attorney assisting in the incorporation was also the individual serving as the Village Solicitor at the time of these events.

On November 15, 2004, Village Council passed a resolution authorizing the Mayor and Fiscal Officer of the Village to enter into an agreement with the Putnam County Community Improvement Corporation for that organization to act as the Village's agent for the sale of real estate and declaring an emergency. Also on November 15, 2004, a resolution was passed by the Village Council authorizing the sale of 3.1 acres to the Leipsic-Van Buren Port Authority and declaring an emergency. On December 10, 2004, the Village sold 60.626 acres of real estate to the Putnam County Community Improvement Corporation for a price of \$432,102. On the same date, records on file with the Putnam County Auditor's office indicate that the Putnam County Community Improvement Corporation sold the same parcel to the PCI LLC for the same amount of \$432,102. On February 7, 2005, the Village sold the remaining 3.167 acres from the original purchase to the Leipsic-Van Buren Port Authority for \$1 that has not, as of the date of these financial statements, been paid to the Village of Leipsic.

On September 1, 2006, records on file with the Putnam County Auditor's office indicate that PCI LLC sold the 60.626 acres discussed herein for \$915,420.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Village of Leipsic  
Putnam County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2004, which collectively comprise the Village's basic financial statements and have issued our report thereon dated November 3, 2006, wherein, we noted the Village prepares its financial statements on the modified cash basis of accounting. 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.

**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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Village's management dated November 3, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

**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 grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as items 2004-1 through 2004-5.

We also noted certain additional matters that we reported to management of the Village in a separate letter dated November 3, 2006.

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

A handwritten signature in black ink that reads "Steyer & Co." in a cursive script.

STEYER & CO.  
Certified Public Accountants  
Defiance, Ohio  
November 3, 2006

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

**FINDING NUMBER 2004-1**

**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 numerous deficit cash balances throughout 2004 in amounts ranging from \$129 to \$159,055. There were no funds that had deficit cash balances at December 31, 2004.

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

**FINDING NUMBER 2004-2**

**Noncompliance Citation**

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

Appropriations exceeded estimated revenues in the following funds at December 31, 2004:

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
December 31, 2004:			
General	\$ 1,415,653	\$ 2,079,385	\$ (663,732)
Street Construction	\$ 230,347	\$ 276,100	\$ (45,753)
Permissive Tax	\$ 12,000	\$ 28,000	\$ (16,000)

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 2004-3**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds at year end:

<u>Fund</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
December 31, 2004:			
General	\$ 2,079,385	\$ 3,495,241	\$ (1,415,856)
Alcohol Law Enforcement	\$ 200	\$ 818	\$ (618)
State Highway	\$ 6,200	\$ 7,066	\$ (866)
Fire	\$ 58,090	\$ 98,398	\$ (40,308)
Water	\$ 442,550	\$ 520,964	\$ (78,414)
Sanitary Sewer	\$ 516,300	\$ 761,299	\$ (244,999)
Wastewater Debt	\$ 399,000	\$ 552,627	\$ (153,627)

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2004**

**FINDING NUMBER 2004-3  
(Continued)**

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

**FINDING NUMBER 2004-4**

**Noncompliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two “exceptions” to the above requirement:

- a. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$3,000 the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, if such expenditure is otherwise valid.

Seventeen percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, the Village had \$76,119 in outstanding purchase commitments at December 31, 2004 that were not certified until 2005. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

Certification is not only required by Ohio law but is key control in the disbursements process to help assure purchase commitments receive prior approval, and to help reduce the possibility of Village funds being over expanded or exceeding budgetary spending limitations as set by the Council. To improve controls over disbursements, we recommend all Village disbursements receive prior certification of the Fiscal Officer and the Council periodically review the expenditures made to ensure they are within the appropriations adopted by the Council, certified by the Fiscal Officer, and recorded against appropriations.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS  
*DECEMBER 31, 2004***

**FINDING NUMBER 2004-5**

**Noncompliance Citation**

Ohio Revised Code § 5705.36(A)(3) requires obtaining an increased amended certificate from the budget commission if the Village intends to appropriate and expend excess revenue.

Appropriations and expenditures were higher than revenues during 2004 and no amended certificate was received.

We recommend the Village review appropriations, expenditures, and estimated resources throughout the year and request an amended certificate as needed.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2003-001	ORC § 5705.10 Deficit fund balances	No	This finding has not been corrected and is repeated in this report as finding 2004-1.
2003-002	ORC § 5705.39 Appropriations exceeded estimated resources	No	This finding has not been corrected and is repeated in this report as finding 2004-2.
2003-003	ORC § 5705.41(B) Expenditures exceeded appropriations	No	This finding has not been corrected and is repeated in this report as finding 2004-3.
2003-004	ORC § 5705.41(D) Certification of funds	No	This finding has not been corrected and is repeated in this report as finding 2004-4.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
CORRECTIVE ACTION PLAN  
YEAR ENDED DECEMBER 31, 2004**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2004-1	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	December 31, 2006	Rosemary Schortgen
2004-2	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	December 31, 2006	Rosemary Schortgen
2004-3	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	December 31, 2006	Rosemary Schortgen
2004-4	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	December 31, 2006	Rosemary Schortgen
2004-5	The Fiscal Officer will better monitor this situation and take appropriate corrective action.	December 31, 2006	Rosemary Schortgen



**Mary Taylor, CPA**  
Auditor of State

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  
APRIL 3, 2007