



Dave Yost • Auditor of State



VILLAGE OF LEESBURG  
HIGHLAND COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Village of Leesburg  
Highland County  
57 South Fairfield Street  
Leesburg, Ohio 45135

To the Village Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2012 and 2011, or changes in financial position thereof for the year then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Village of Leesburg, Highland County as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, during 2011 the Village of Leesburg adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2013, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State

June 10, 2013

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$27,451	\$2,985		\$30,436
Municipal Income Tax	369,188			369,188
Intergovernmental	39,962	57,564		97,526
Special Assessments	68			68
Charges for Services	218			218
Fines, Licenses and Permits	2,739			2,739
Earnings on Investments	3,501			3,501
Miscellaneous	13,895			13,895
<i>Total Cash Receipts</i>	<u>457,022</u>	<u>60,549</u>	<u>0</u>	<u>517,571</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	254,629			254,629
Leisure Time Activities	9,178			9,178
Community Environment	2,115			2,115
Basic Utility Services	20,123			20,123
Transportation	14,050	52,888		66,938
General Government	160,174			160,174
Capital Outlay		4,829	4,478	9,307
<i>Total Cash Disbursements</i>	<u>460,269</u>	<u>57,717</u>	<u>4,478</u>	<u>522,464</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(3,247)</u>	<u>2,832</u>	<u>(4,478)</u>	<u>(4,893)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Other Financing Uses	(16,748)			(16,748)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(16,748)</u>	<u>0</u>	<u>0</u>	<u>(16,748)</u>
<i>Net Change in Fund Cash Balances</i>	(19,995)	2,832	(4,478)	(21,641)
<i>Fund Cash Balances, January 1</i>	<u>832,586</u>	<u>23,149</u>	<u>4,478</u>	<u>860,213</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	25,981	0	25,981
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	812,591	0	0	812,591
<i>Fund Cash Balances, December 31</i>	<u><u>\$812,591</u></u>	<u><u>\$25,981</u></u>	<u><u>\$0</u></u>	<u><u>\$838,572</u></u>

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

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$641,636
<i>Total Operating Cash Receipts</i>	641,636
<b>Operating Cash Disbursements</b>	
Personal Services	136,135
Employee Fringe Benefits	69,603
Contractual Services	176,576
Supplies and Materials	36,425
<i>Total Operating Cash Disbursements</i>	418,739
<i>Operating Income (Loss)</i>	222,897
<b>Non-Operating Receipts (Disbursements)</b>	
Other Debt Proceeds	5,880
Capital Outlay	(19,093)
Principal Retirement	(137,277)
Interest and Other Fiscal Charges	(57,315)
<i>Total Non-Operating Receipts (Disbursements)</i>	(207,805)
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	15,092
Transfers In	224,136
Transfers Out	(224,136)
<i>Net Change in Fund Cash Balances</i>	15,092
<i>Fund Cash Balances, January 1</i>	509,998
<i>Fund Cash Balances, December 31</i>	\$525,090

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



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$40,685	\$2,814		\$43,499
Municipal Income Tax	359,258			359,258
Intergovernmental	46,676	59,048		105,724
Special Assessments	170			170
Charges for Services	16			16
Fines, Licenses and Permits	2,271			2,271
Earnings on Investments	388			388
Miscellaneous	8,686			8,686
<i>Total Cash Receipts</i>	<u>458,150</u>	<u>61,862</u>	<u>0</u>	<u>520,012</u>
<b>Cash Disbursements</b>				
Current:				
Security of Persons and Property	260,228			260,228
Public Health Services	160			160
Leisure Time Activities	4,837			4,837
Community Environment	1,370			1,370
Transportation	11,357	59,893		71,250
General Government	166,231			166,231
Capital Outlay	0	2,500		2,500
<i>Total Cash Disbursements</i>	<u>444,183</u>	<u>62,393</u>	<u>0</u>	<u>506,576</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,967</u>	<u>(531)</u>	<u>0</u>	<u>13,436</u>
<b>Other Financing Receipts (Disbursements)</b>				
Transfers Out	(1,674)			(1,674)
Other Financing Uses	(21,388)			(21,388)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(23,062)</u>	<u>0</u>	<u>0</u>	<u>(23,062)</u>
<i>Net Change in Fund Cash Balances</i>	(9,095)	(531)	0	(9,626)
<i>Fund Cash Balances, January 1</i>	<u>841,681</u>	<u>23,680</u>	<u>4,478</u>	<u>869,839</u>
<b>Fund Cash Balances, December 31</b>				
Nonspendable	0	0	0	0
Restricted	0	23,149	4,478	27,627
Committed	0	0	0	0
Assigned	0	0	0	0
Unassigned (Deficit)	832,586	0	0	832,586
<i>Fund Cash Balances, December 31</i>	<u>\$832,586</u>	<u>\$23,149</u>	<u>\$4,478</u>	<u>\$860,213</u>

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

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Enterprise
<b>Operating Cash Receipts</b>	
Charges for Services	\$644,544
Miscellaneous	5,466
	650,010
<i>Total Operating Cash Receipts</i>	<i>650,010</i>
<b>Operating Cash Disbursements</b>	
Personal Services	120,602
Employee Fringe Benefits	70,944
Contractual Services	198,530
Supplies and Materials	39,603
	429,679
<i>Total Operating Cash Disbursements</i>	<i>429,679</i>
<i>Operating Income (Loss)</i>	<i>220,331</i>
<b>Non-Operating Receipts (Disbursements)</b>	
Intergovernmental	73,258
Special Assessments	572
Other Debt Proceeds	208,697
Capital Outlay	(303,958)
Principal Retirement	(201,625)
Interest and Other Fiscal Charges	(80,741)
	(303,797)
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(303,797)</i>
<i>Income (Loss) before Capital Contributions, Special Item, Extraordinary Item, Transfers and Advances</i>	<i>(83,466)</i>
Capital Contributions	
Transfers In	271,564
Transfers Out	(269,890)
<i>Net Change in Fund Cash Balances</i>	<i>(81,792)</i>
<i>Fund Cash Balances, January 1</i>	<i>591,790</i>
<i>Fund Cash Balances, December 31</i>	<i>\$509,998</i>

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

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**1. Summary of Significant Accounting Policies**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Leesburg, Highland County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, water and sewer utilities, garbage collection and police services.

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Village values the certificate of deposit at cost. The Village pools the cash deposits for investment purposes to capture the highest rate of return.

**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 accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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 LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Enterprise Funds**

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Water Debt Service - This fund is used to accumulate resources for retirement of loans issued to fund improvements to the Village's water plant.

Sewer Debt Service - This fund is used to accumulate resources for retirement of loans issued to fund improvements to the Village's wastewater treatment plant.

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

**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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

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

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual 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 2012 and 2011 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. Change in Accounting Principle**

For fiscal year 2011, the Village reclassified certain funds as required by the revised fund classification guidance in Governmental Accounting Standard Board (GASB) Statement No. 54. Implementing GASB Statement No. 54 had no effect on fund balances previously reported.

**3. Equity in Pooled Deposits and Investments**

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

	<u>2012</u>	<u>2011</u>
Demand deposits	\$1,300,180	\$1,306,373
Certificates of deposit	63,482	63,838
Total deposits	<u>\$1,363,662</u>	<u>\$1,370,211</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**4. Budgetary Activity**

Budgetary activity for the years ending December 31<sup>st</sup> follows:

2012 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$488,409	\$457,022	(\$31,387)
Special Revenue	60,549	60,549	0
Capital Projects	0	0	0
Enterprise	951,652	871,652	(80,000)
Total	<u>\$1,500,610</u>	<u>\$1,389,223</u>	<u>(\$111,387)</u>

2012 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$479,581	\$477,017	\$2,564
Special Revenue	57,869	57,717	152
Capital Projects	4,478	4,478	0
Enterprise	857,617	856,560	1,057
Total	<u>\$1,399,545</u>	<u>\$1,395,772</u>	<u>\$3,773</u>

2011 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$486,351	\$458,150	(\$28,201)
Special Revenue	61,862	61,862	0
Capital Projects	0	0	0
Enterprise	1,211,825	1,204,101	(7,724)
Total	<u>\$1,760,038</u>	<u>\$1,724,113</u>	<u>(\$35,925)</u>

2011 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$613,545	\$467,245	\$146,300
Special Revenue	84,500	62,393	22,107
Capital Projects	4,478	0	4,478
Enterprise	1,065,425	1,285,893	(220,468)
Total	<u>\$1,767,948</u>	<u>\$1,815,531</u>	<u>(\$47,583)</u>

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**5. Property Tax**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, 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 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**7. Debt**

Debt outstanding at December 31, 2012 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer System Improvement Loan	\$197,000	5.00%
Water System Improvement Loan	71,700	6.00%
Ohio Public Works Commission (OPWC) Loans	596,733	0.00%
Ohio Water Development Authority (OWDA) Loan	245,773	1.50%
Ohio Water Development Authority (OWDA) Loan	<u>2,559,653</u>	1.50%
Total	<u><u>\$3,670,859</u></u>	

The Sewer System Improvement Loan was issued in 1979 to finance an improvement project on the Village's wastewater treatment plant. The bonds are being retired over a period of 38 years, paid from sewer system revenues.

The Water System Improvement Loan was issued in 1986 for \$116,000 to finance an improvement project on the Village's water plant. The bonds are being retired over a period of 40 years, paid from sewer system revenues.



**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. Debt (Continued)**

During 1996, the Village received an OPWC Loan and an OWDA Loan for \$305,000 and \$246,724, respectively, to finance water system and wastewater treatment system improvements. These loans are being repaid over a period of 20 years and 15 years, respectively, payable from water system and sewer system revenues. The OWDA loan was paid off in 2011.

During 2001, the Village received an OPWC Loan for \$209,947 to finance a water tower replacement project. The loan will be repaid from water system revenues, over a period of 20 years.

During 2005, the Village entered into an OPWC Loan and an OWDA Construction Loan for \$400,000 and \$2,776,000, respectively, to finance a wastewater treatment plant expansion and upgrade. These loans will be repaid from sewer system revenues, over a period of 30 years.

During 2010, the Village entered into an OWDA Construction Loan for \$256,283 to finance a water well project. Repayment will be made over a period of 30 years from water system revenues.

During 2011, the Village received an OPWC Loan for \$ 103,365, respectively, to finance a water improvement project. Repayment will be made over a period of 30 years from the water system revenues.

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

Year ending December 31:	Water/Sewer Improvement Loans	OPWC Loans	OWDA Loans
2013	\$ 41,602	\$ 49,193	\$ 64,027
2014	42,398	49,193	128,054
2015	42,082	49,192	128,054
2016	41,804	49,193	128,054
2017	42,358	41,568	128,054
2018-2022	105,698	169,714	640,069
2023-2027	30,940	138,720	640,269
2028-2032		17,228	640,269
2033-2037		17,228	640,269
2038-2042		15,505	277,388
Total	<u>\$ 346,882</u>	<u>\$ 596,735</u>	<u>\$ 3,414,507</u>

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. Retirement Systems**

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2012 and 2011, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

**9. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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



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## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Leesburg  
Highland County  
57 South Fairfield Street  
Leesburg, Ohio 45135

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated June 10, 2013; wherein we noted the Village followed accounting financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit, described in Note 1. We also noted the Village adopted *Governmental Accounting Standards Board Statement No. 54, Fund Balance and Governmental Fund Type Definitions*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a significant deficiency in internal control. We consider finding 2012-01 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2012-02.

***Entity's Response to Findings***

The Village's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the Village's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

June 10, 2013

**VILLAGE OF LEESBURG  
HIGHLAND COUNTY  
SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2012-01**

**Significant Deficiency**

Ohio Administrative Code section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Village lacked management oversight in the proper reporting of tax, miscellaneous and intergovernmental receipts, and proceeds of debt on the financial statements. This lack of oversight is illustrated by the following conditions:

- Proceeds of debt were reported in the Capital Projects fund instead of the Water Capital Improvement fund during 2011 resulting in an adjustment of \$180,236.
- Proceeds of debt were reported in Capital Projects fund as special assessments receipts instead of debt proceeds receipts in the Water Capital Improvement fund during 2011 resulting in an adjustment of \$64,908.
- Proceeds of debt were reported as Special Assessments receipts instead of proceeds of debt receipts resulting in a reclassification of \$5,880 in the Water Capital Improvement fund in 2012.
- The receipts and disbursements of Ohio Public Works Commission and Ohio Water Development Authority funds spent on behalf of the Village were not recorded during 2011 in the amount of \$36,810.
- During 2011, the Village coded a \$1,107 disbursement for a refund of income taxes as a transfer out of the General fund; but it should have been classified as a general government disbursement.
- The Village inaccurately coded General fund disbursements totaling \$15,970 during 2011 and \$12,508 during 2012, as Other Financing Uses. Amounts were reclassified to various expenditure line items within the General fund.
- 41% (19/46) of the income tax returns tested did not include proper documentation (such as W-2s or completed tax forms to support profit/loss statements) to support the tax return.

Audit adjustments were made to the Village's financial statements and accounting records to properly account for the above errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability to monitor financial activity and to make informed financial decisions. We recommend officials monitor the posting of transactions ensure that transactions are being posted to the correct account codes.

Also, failure to obtain the necessary documentation for income tax receipts could result in inaccurate income taxes collections. We recommend the Village take the necessary steps to obtain W-2s or completed tax forms to support profit/loss statements to support amounts provided on tax returns received by the Village.

**FINDING NUMBER 2012-01  
(Continued)**

**Officials' Response:**

There were letters, phone calls or copies sent for signatures on the tax returns that didn't have W-2s, schedules or signatures on or attached to them.

**FINDING NUMBER 2012-02**

**Noncompliance**

**Ohio Rev. Code, Section 5705.41(D)(1)**, requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for the approval of the expenditures by the Village.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Village may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The availability of funds was not certified prior to the time of commitment in 43% (10/23) of expenditures tested nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2012-02  
(Continued)**

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

We did not receive a response from officials to the finding above.

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**VILLAGE OF LEESBURG  
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2012 AND 2011**

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>
2010-01	Ohio Administrative Code section 117-2-02, audit adjustments were made to several funds	No	Repeat in Finding 2012-01
2010-02	Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources.	Yes	Corrected
2010-03	Ohio Rev. Code, Section 5705.41(d)(1), not properly encumbering	No	Repeated in Finding 2012-02
2010-04	Ohio Rev. Code 9.39, noted \$2,841 was missing from the evidence room.	Yes	Corrected

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**VILLAGE OF LEESBURG**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 2, 2013**