

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
Single Audit
For the Year Ended December 31, 2013**

Perry & Associates
Certified Public Accountants, A.C.



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Leipsic, Putnam County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2013 through December 31, 2013. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

July 18, 2014

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**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

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INDEPENDENT AUDITOR'S REPORT

June 6, 2014

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the **Village of Leipsic**, Putnam County, (the Village) as of and for the year ended December 31, 2013.

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 Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; 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 1B 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(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B 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, 2013, or changes in financial position or cash flows 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 the Village of Leipsic, Putnam County, as of December 31, 2013, and its combined cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Matters

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2014, 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 111,562	\$ 39,411	\$ -	\$ 150,973
Municipal Income Tax	2,130,447	-	-	2,130,447
Intergovernmental	60,142	138,737	720,379	919,258
Special Assessments	-	-	10,377	10,377
Charges for Services	44,345	32,319	-	76,664
Fines, Licenses and Permits	11,118	836	-	11,954
Earnings on Investments	400	74	79	553
Miscellaneous	30,993	22,980	8,879	62,852
<i>Total Cash Receipts</i>	<u>2,389,007</u>	<u>234,357</u>	<u>739,714</u>	<u>3,363,078</u>
Cash Disbursements				
Current:				
Security of Persons and Property	348,431	160,513	-	508,944
Leisure Time Activities	31,540	-	-	31,540
Community Environment	-	44,885	-	44,885
Basic Utility Services	287,496	60,467	4,215	352,178
Transportation	655	69	-	724
General Government	1,619	-	-	1,619
Capital Outlay	86,140	184,065	1,140,948	1,411,153
Debt Service:				
Principal Retirement	120,112	-	-	120,112
Interest and Fiscal Charges	1,257	-	-	1,257
<i>Total Cash Disbursements</i>	<u>877,250</u>	<u>449,999</u>	<u>1,145,163</u>	<u>2,472,412</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,511,757</u>	<u>(215,642)</u>	<u>(405,449)</u>	<u>890,666</u>
Other Financing Receipts (Disbursements)				
Transfers In	1,160,778	271,463	63,850	1,496,091
Transfers Out	(2,141,680)	-	-	(2,141,680)
Other Financing Sources	-	-	23,200	23,200
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(980,902)</u>	<u>271,463</u>	<u>87,050</u>	<u>(622,389)</u>
<i>Net Change in Fund Cash Balances</i>	530,855	55,821	(318,399)	268,277
<i>Fund Cash Balances, January 1</i>	<u>277,304</u>	<u>302,699</u>	<u>695,250</u>	<u>1,275,253</u>
Fund Cash Balances, December 31				
Restricted	-	358,520	376,851	735,371
Assigned	5,910	-	-	5,910
Unassigned	802,249	-	-	802,249
<i>Fund Cash Balances, December 31</i>	<u>\$ 808,159</u>	<u>\$ 358,520</u>	<u>\$ 376,851</u>	<u>\$ 1,543,530</u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	\$ 2,250,351
Fines, Licenses and Permits	5,256
Miscellaneous	23,129
	<hr/>
<i>Total Operating Cash Receipts</i>	<i>2,278,736</i>
	<hr/>
Operating Cash Disbursements	
Personal Services	553,840
Contractual Services	458,395
Supplies and Materials	141,437
Other	14,169
	<hr/>
<i>Total Operating Cash Disbursements</i>	<i>1,167,841</i>
	<hr/>
<i>Operating Income</i>	<i>1,110,895</i>
	<hr/>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	371,331
Earnings on Investments	208
Capital Outlay	(175,533)
Principal Retirement	(897,152)
Interest and Fiscal Charges	(581,197)
	<hr/>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,282,343)</i>
	<hr/>
<i>(Loss) before Transfers</i>	<i>(171,448)</i>
	<hr/>
Transfers In	1,427,696
Transfers Out	(782,107)
	<hr/>
<i>Net Change in Fund Cash Balances</i>	<i>474,141</i>
	<hr/>
<i>Fund Cash Balances, January 1</i>	<i>1,576,407</i>
	<hr/>
<i>Fund Cash Balances, December 31</i>	<i><u>\$ 2,050,548</u></i>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013**

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 Leipsic, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, police services, and fire services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 9 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

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

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.

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 recorded 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 Fund:

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Wastewater Treatment Plant Fund – This fund receives monies for the expansion of the wastewater treatment plant.

4. 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 accounts for the provisions of water services to the residents and commercial users within the Village.

Wastewater Fund – This fund accounts for the provisions of wastewater services to the residents and commercial users within the Village.

Wastewater Debt Fund – This fund accounts for the debt issues relating to the sanitary system.

Reservoir Debt Fund – This fund accounts for the debt issues relating to the reservoir.

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, and 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.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 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.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Fund Balance (Continued)

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.

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. EQUITY IN POOLED DEPOSITS

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

	2013
Demand Deposits	<u>\$ 3,594,078</u>
Total Deposits	<u><u>\$ 3,594,078</u></u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2013 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 3,803,077	\$ 3,549,785	\$ (253,292)
Special Revenue	464,147	505,820	41,673
Capital Projects	884,998	826,764	(58,234)
Enterprise	4,247,987	4,077,971	(170,016)
Total	\$ 9,400,209	\$ 8,960,340	\$ (439,869)

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,309,838	\$ 3,024,840	\$ 284,998
Special Revenue	494,369	468,173	26,196
Capital Projects	1,234,193	1,220,163	14,030
Enterprise	3,923,624	3,689,399	234,225
Total	\$ 8,962,024	\$ 8,402,575	\$ 559,449

Contrary to Ohio law, at December 31, 2013, the Wastewater Treatment Plant Improvement Fund had a cash deficit balance of \$101,228.

4. 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.

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

5. LOCAL INCOME TAX

The Village levies a 1.5% tax on substantially all earned income within the Village as well as certain income of residents earned outside or 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 withhold income tax on employee compensation and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers pay estimated taxes at least quarterly and file a declaration annually.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OWDA Loan #1682	\$ 46,791	7.89%
OWDA Loan #2316	545,131	4.12%
OWDA Loan #4620	4,042,276	0.00%
OWDA Loan #5003	7,134,209	5.29%
OPWC Loan #CM725	6,620	0.00%
OPWC Loan #CM21B	29,126	0.00%
OPWC Loan #CM24D	51,300	0.00%
OPWC Loan #CM42M	63,496	0.00%
ORDC Loan	264,030	Various
Revenue Bonds, Series 1997	1,906,000	5.00%
Revenue Bonds, Series 2007	1,160,000	4.75%
Total	<u>\$ 15,248,979</u>	

In 2013, the Village paid off the Fort Jennings State Bank Loan #32978 that had been issued to pay off Part B of bond issued for sewer replacement. The loan was repaid in semi-annual installments of various amounts plus interest at 3%.

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 semi-annual installments including interest, over 25 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #2316 relates to the wastewater treatment plant improvements. The loan will be repaid in semi-annual installments including interest, over 20 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) 0% loan #4620 relates to the separation of the Village's combined sewer. The loan will be repaid in semi-annual installments over 20 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #5003 relates to the costs of improving the Village's water system by constructing a reservoir. The loan will be repaid in semi-annual installments including interest, over 30 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Public Works Commission (OPWC) 0% loans relate to a sewer replacement project, two street storm sewer projects, and a sanitary sewer separation project. The sewer replacement project loan, the street storm sewer loans, and the sanitary sewer separation project loan will be repaid in semi-annual installments of \$3,310, \$2,648, \$3,420, and \$1,984, respectively, all over 20 years.

The Ohio Rail Development Commission (ORDC) loan relates to the construction of new rail tracks and turnouts to the Iron Highway Industrial Park and to commence tri-rail services to the ethanol plant. The loan will be repaid in monthly installments of \$10,577 from July 1, 2009 through December 31, 2015. The next 60 payments will be for \$11,309 including interest.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

6. DEBT (Continued)

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 Water System Improvement Bonds, Series 2007, relates to the cost of constructing, installing, and equipping certain water lines. The bonds will be repaid in annual installments of various amounts over 20 years plus interest at 4.75% the first 10 years, 4.5% the next 6 years, and 4.6% the last 4 years.

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

Year ending December 31:	OWDA Loans	OPWC Loans	Revenue Bonds	ORDC Loan
2014	\$ 533,335	\$ 14,672	\$ 251,560	\$ 135,713
2015	965,725	16,104	253,560	135,713
2016	965,725	16,104	250,222	-
2017	965,725	16,104	252,785	-
2018	796,877	16,104	253,960	-
2019-2023	3,984,387	45,658	1,256,450	-
2024-2028	3,840,020	19,843	1,149,600	-
2029-2033	2,540,717	5,953	690,650	-
2034-2038	2,540,717	-	552,750	-
2039-2040	762,215	-	-	-
Total	<u>\$ 17,895,443</u>	<u>\$ 150,542</u>	<u>\$ 4,911,537</u>	<u>\$ 271,426</u>

7. LEASE

The Village acts as a lessor of 5 acres of land in the well field complex. The 5 acres meets the zoning code to accommodate a 250 foot free standing cellular tower. The terms of the lease are for seven 5-year terms for a total of 35 years. The first 5-year term of the lease began in 2006 with an upfront payment received of \$40,000. The other six 5-year terms will be charged \$1.00 per term. The Village will still retain the right to use the 5 acres however they feel fit. When the lease is finished, the cellular tower will be removed.

8. RETIREMENT SYSTEMS

The Village's law enforcement 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 this plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013, OP&F participants contributed 10% of full-time police members' wages. For 2013, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2013, 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, 2013.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. RISK MANAGEMENT

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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. York Risk Pooling Services, Inc. (formerly known as American Risk Pooling Consultants, Inc.), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. 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 and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2012, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

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

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, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,389,569	\$33,362,404
Liabilities	<u>(14,208,353)</u>	<u>(14,187,273)</u>
Net Position	<u>\$20,181,216</u>	<u>\$19,175,131</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$13.1 million and \$13.0 million of estimated incurred claims payable. The assets above also include approximately \$12.6 million and \$12.1 million of unpaid claims to be billed to approximately 466 and 455 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Village's share of these unpaid claims collectible in future years is approximately \$45,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)**

9. RISK MANAGEMENT (Continued)

Financial Position (Continued)

<u>Contributions to PEP</u>	
<u>2012</u>	<u>2011</u>
\$52,209	\$39,981

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Federal Grantor</u>	Federal	
Program or Cluster Title	CFDA	
<hr/>	Number	Expenditures
<u>Economic Development Administration</u>		
Economic Development Cluster:		
Investments for Public Works and Economic Development Facilities	11.300	<u>\$ 555,962</u>
Total Economic Development Cluster		<u>555,962</u>
Total Economic Development Administration		<u>555,962</u>
Total Federal Expenditures		<u><u>\$ 555,962</u></u>

See Accompanying Notes to this Schedule

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note A – Significant Accounting Policies

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the Village's federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

Note B – Matching Requirements

Certain federal programs require the Village to contribute non-federal funds (matching funds) to support the federally-funded programs. The Village has met all matching requirements. The Schedule does not include the expenditure of non-federal matching funds.

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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**

June 6, 2014

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

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 Leipsic**, Putnam County, (the Village) as of and for the year ended December 31, 2013, and the related notes to the financial statements and have issued our report thereon dated June 6, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a 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. We consider findings 2013-001 through 2013-003 described in the accompanying schedule of audit findings to be material weaknesses.

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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2013-002 and 2013-003.

We also noted certain matters not requiring inclusion in this report that we communicated to management in a separate letter dated June 6, 2014.

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.



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Marietta, Ohio

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

June 6, 2014

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

To the Village Council:

Report on Compliance for Each Major Federal Program

We have audited the **Village of Leipsic's** (the Village) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Village of Leipsic's major federal program for the year ended December 31, 2013. The *Summary of Audit Results* in the accompanying schedule of audit findings identifies the Village's major federal program.

Management's Responsibility

The Village's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Village's compliance for each of the Village's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Village's major program. However, our audit does not provide a legal determination of the Village's compliance.

Opinion on the Major Federal Program

In our opinion, the Village of Leipsic complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The Village's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Village's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Village's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

1. SUMMARY OF AUDIT RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Investments for Public Works and Economic Development Facilities, CFDA #11.300
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

FINDING NUMBER 2013-001

Material Weakness

Posting of Receipts, Disbursements and Fund Balances

During 2013, several receipts, disbursements and fund balances were not posted into accurate classifications based on the source of the receipt, disbursement and GASB 54 definition. The following mispostings were noted during the audit:

- All Intergovernmental receipts were misclassified as Property and Other Local Taxes in the General and all Special Revenue Funds.
- Earnings on Investments receipts were misclassified as Miscellaneous in the General, Wastewater Treatment Plant, Water and Wastewater Funds.
- Disbursement amounts were misclassified in all Funds.
- An Intergovernmental grant receipt was misclassified as Charges for Services in the Fire Fund.

VILLAGE OF LEIPSIC
PUTNAM COUNTY

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-01 (Continued)

Posting of Receipts, Disbursements and Fund Balances (Continued)

- A Miscellaneous receipt was misclassified as Earnings on Investments in the Street Construction Maintenance and Repair Fund.
- Intergovernmental grant receipts and an Other Financing Sources receipt were misclassified as Special Assessments in the Wastewater Treatment Plant Improvement Fund.
- Fines, Licenses and Permits receipts were misclassified as Charges for Services in the Water Fund.
- A Transfer-In was misclassified as a Charges for Services receipt in the USDA Reserve Fund.
- Transfer-Outs were misclassified as Refunds & Reimbursement disbursements in the Water, Wastewater and Railroad Funds.
- Assigned Fund Balance amounts in the General, Street Construction Maintenance and Repair, State Highway and Fire Funds were incorrectly recorded as negatives.
- Committed Fund Balance amounts in the Street Construction Maintenance and Repair and Construction Funds were misclassified as no formal resolution had been made by Council to designate the amounts as such. In addition, the amounts were incorrectly recorded as negatives.
- Fund Balance amounts in the Street Construction Maintenance and Repair, Law Enforcement, State Highway, Fire, Construction, Wastewater Treatment Plant and Blighted Properties Funds were misclassified as Unassigned rather than Restricted.
- Amounts for all Enterprise Funds were incorrectly recorded on both the Governmental Statement and Proprietary Statement.

Not posting receipts, disbursements and fund balances accurately resulted in the financial statements requiring several reclassifications and adjustments. The Village has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper establishment of revenue and disbursement accounts and posting of receipts and disbursements. We also recommend reclassifications be made during the proper reporting period.

Officials' Response – We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-002

Material Weakness/Noncompliance

Ohio Rev. Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

VILLAGE OF LEIPSIC
PUTNAM COUNTY

SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013

2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2013-002 (Continued)

Ohio Rev. Code Section 117.38 (Continued)

The Village filed the Annual Financial Report (AFR) with the Auditor of State's office in a timely manner; however, several errors were noted during our review of the AFR:

- Certain amounts listed on the Annual Financial Report were not correctly classified based on amounts from the Village's accounting system.
- Not all transfers were recorded on the AFR although they were recorded in the system.
- Total disbursements for the General Fund did not reconcile between the accounting system and the AFR.
- Disbursement amounts in the Governmental Funds were incorrectly classified with titles relating to Proprietary Funds.
- Amounts for Enterprise Fund activity were erroneously included on both the Governmental Statement and the Proprietary Statement.

We recommend the Annual Financial Report be compiled from the Village's accounting system and reconciled upon completion.

Officials' Response – We did not receive a response from Officials to this finding.

FINDING NUMBER 2013-003

Material Weakness/Noncompliance

Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The Village had a negative fund balance at December 31, 2013 in the Wastewater Treatment Plant Improvement Fund of (\$101,228).

A negative cash fund balance is an indication that revenues from other sources were used to pay obligations of these funds. Fund activity should be monitored by the Fiscal Officer to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code.

We recommend the Village monitor their fund balances to ensure that monies from various funds are not used to pay obligations of other funds.

Officials' Response – We did not receive a response from Officials to this finding.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
FOR THE YEAR ENDED DECEMBER 31, 2013**

3. FINDINGS FOR FEDERAL AWARDS

None

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2012-01	Posting of Receipts and Disbursements	No	Not Corrected, Repeated as Finding 2013-001.
2012-02	ORC Section 117.38 – Deficient Annual Financial Report	No	Not Corrected, Repeated as Finding 2013-02.
2012-03	ORC Section 5705.10(H) – Deficit Fund Balance	No	Not Corrected, Repeated as Finding 2013-03.
2012-04	ORC Section 5705.41(D)	Yes	N/A
2011-05	ORC Section 5705.36	Yes	N/A

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Dave Yost • 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
JULY 31, 2014**