



Dave Yost • Auditor of State

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of West Leipsic
Putnam County
114 Main Street
Leipsic, Ohio 45856-1050

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of the Village of West Leipsic, Putnam County, Ohio, (the Village) as of and for the years ended December 31, 2013 and 2012.

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 and 2012, or changes in financial position or cash flows thereof for the years 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 West Leipsic, Putnam County, Ohio as of December 31, 2013 and 2012, 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(D) permit, described in 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 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.

Dave Yost
Auditor of State

Columbus, Ohio

September 4, 2014

**VILLAGE OF WEST 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**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$4,612	\$5,823			\$10,435
Intergovernmental	29,585	11,799			41,384
Earnings on Investments	299	362			661
Miscellaneous	1,717				1,717
<i>Total Cash Receipts</i>	<u>36,213</u>	<u>17,984</u>			<u>54,197</u>
Cash Disbursements					
Current:					
Security of Persons and Property	18,277	6,710			24,987
Basic Utility Services	1,325				1,325
Transportation	6,775	6,766			13,541
General Government	27,646	234			27,880
Debt Service:					
Principal Retirement			\$756		756
<i>Total Cash Disbursements</i>	<u>54,023</u>	<u>13,710</u>	<u>756</u>		<u>68,489</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,810)</u>	<u>4,274</u>	<u>(756)</u>		<u>(14,292)</u>
Other Financing Receipts (Disbursements)					
Transfers In		3,000			3,000
Transfers Out	(3,000)				(3,000)
Other Financing Uses	(35)				(35)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(3,035)</u>	<u>3,000</u>			<u>(35)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(20,845)</u>	<u>7,274</u>	<u>(756)</u>		<u>(14,327)</u>
<i>Fund Cash Balances, January 1</i>	<u>76,399</u>	<u>99,995</u>	<u>1,891</u>	<u>8,121</u>	<u>186,406</u>
Fund Cash Balances, December 31					
Restricted		107,269	1,135	8,121	116,525
Assigned	7,639				7,639
Unassigned	47,915				47,915
<i>Fund Cash Balances, December 31</i>	<u>\$55,554</u>	<u>\$107,269</u>	<u>\$1,135</u>	<u>\$8,121</u>	<u>\$172,079</u>

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

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$75,402</u>
Operating Cash Disbursements	
Contractual Services	1,425
Other	<u>63,218</u>
<i>Total Operating Cash Disbursements</i>	<u>64,643</u>
<i>Operating Income</i>	<u>10,759</u>
Non-Operating Disbursements	
Principal Retirement	(3,600)
Interest and Other Fiscal Charges	<u>(11,187)</u>
<i>Total Non-Operating Disbursements</i>	<u>(14,787)</u>
<i>Net Change in Fund Cash Balances</i>	(4,028)
<i>Fund Cash Balances, January 1</i>	<u>13,518</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$9,490</u></u>

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

**VILLAGE OF WEST 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, 2012**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$3,503	\$5,604			\$9,107
Intergovernmental	55,742	12,658			68,400
Earnings on Investments	31	32			63
Miscellaneous	753				753
<i>Total Cash Receipts</i>	<u>60,029</u>	<u>18,294</u>			<u>78,323</u>
Cash Disbursements					
Current:					
Security of Persons and Property	17,110	5,729			22,839
Basic Utility Services	825				825
Transportation	2,335	3,150			5,485
General Government	31,400	109			31,509
Debt Service:					
Principal Retirement			\$756		756
<i>Total Cash Disbursements</i>	<u>51,670</u>	<u>8,988</u>	<u>756</u>		<u>61,414</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>8,359</u>	<u>9,306</u>	<u>(756)</u>		<u>16,909</u>
Other Financing Receipts (Disbursements)					
Transfers In		1,500			1,500
Transfers Out	(1,500)				(1,500)
Other Financing Uses	(5,436)				(5,436)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(6,936)</u>	<u>1,500</u>			<u>(5,436)</u>
<i>Net Change in Fund Cash Balances</i>	1,423	10,806	(756)		11,473
<i>Fund Cash Balances, January 1</i>	<u>74,976</u>	<u>89,189</u>	<u>2,647</u>	<u>\$8,121</u>	<u>174,933</u>
Fund Cash Balances, December 31					
Restricted		99,995	1,891	8,121	110,007
Unassigned	76,399				76,399
<i>Fund Cash Balances, December 31</i>	<u>\$76,399</u>	<u>\$99,995</u>	<u>\$1,891</u>	<u>\$8,121</u>	<u>\$186,406</u>

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

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

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

	<u>Enterprise</u>
Operating Cash Receipts	
Charges for Services	<u>\$63,750</u>
Operating Cash Disbursements	
Contractual Services	1,496
Other	<u>53,487</u>
<i>Total Operating Cash Disbursements</i>	<u>54,983</u>
<i>Operating Income</i>	<u>8,767</u>
Non-Operating Disbursements	
Principal Retirement	(3,500)
Interest and Other Fiscal Charges	<u>(11,345)</u>
<i>Total Non-Operating Disbursements</i>	<u>(14,845)</u>
<i>Net Change in Fund Cash Balances</i>	(6,078)
<i>Fund Cash Balances, January 1</i>	<u>19,596</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$13,518</u></u>

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

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 West 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, including road maintenance and repair and wastewater services. The Village contracts with the Village of Leipsic to provide police protection and fire protection. The Village of Leipsic also provides water services to Village residents.

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.

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.

Street Lighting Fund - This fund receives property taxes to pay for the street lighting within the Village.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Debt Service Fund

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Ohio Public Works Commission Loan Fund - This fund accounts for resources the Village accumulates to pay bond and note debt.

4. 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:

Sanitary Sewer Construction Fund – In prior years, this fund received United States Department of Agriculture grant proceeds, a Community Development Block Grant and an Ohio Public Works Commission Grant for the construction of a waste water system for the Village. The Village currently is using the remaining balance for sanitary sewer related expenditures, which they did not have during the audit period.

5. 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 Fund:

Sewer Operating Fund - This fund receives charges for services from residents to cover the costs of providing and maintaining this utility.

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. 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 approve estimated resources.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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 carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered.

A summary of 2013 and 2012 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 WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(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.

2. Equity in Pooled Deposits

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

	2013	2012
Demand deposits	\$181,569	\$199,924

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General		\$36,213	\$36,213
Special Revenue		20,984	20,984
Enterprise		75,402	75,402
Total		\$132,599	\$132,599

2013 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,214	\$64,697	(\$62,483)
Special Revenue		13,710	(13,710)
Debt Service		756	(756)
Enterprise		79,430	(79,430)
Total	\$2,214	\$158,593	(\$156,379)

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. Budgetary Activity (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$65,410	\$60,029	(\$5,381)
Special Revenue	19,177	19,794	617
Enterprise	60,000	63,750	3,750
Total	\$144,587	\$143,573	(\$1,014)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$152,988	\$60,820	\$92,168
Special Revenue	36,207	8,988	27,219
Debt Service	756	756	
Capital Projects	8,122		8,122
Enterprise	78,496	69,828	8,668
Total	\$276,569	\$140,392	\$136,177

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in all funds ranging from \$756 to \$79,430 for the year ended December 31, 2013. Contrary to Ohio law, the legally adopted appropriations varied from posted appropriations for the years ended December 31, 2013 and 2012 in amounts ranging from \$756 to \$108,370. Contrary to Ohio law, General Fund appropriations at December 31, 2012 in the amount of \$151,581 exceeded estimated resources by \$11,195. Also contrary to Ohio Law, there was no evidence of a certificate of total amounts from all sources available for expenditure being filed with the Budget Commission in 2013

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.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

5. Debt

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$ 758	0%
Mortgage Revenue Bonds	245,000	4.5%
Total	\$ 245,758	

Ohio Public Works Commission Loan was issued in 1994 for \$25,000 for waterline improvements. The waste water treatment improvements were financed with \$270,000 of Sewer System Mortgage Revenue Bonds. The Village will repay the bond issue with annual payments, including interest, over 40 years.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. This fund is required to maintain a balance equal to the debt service payment due in the ensuing fiscal year. The balance in the fund at December 31, 2013 is \$1,100. The debt service payment due in the ensuing fiscal year is \$14,825. No monthly \$124 payments were made in 2012 or 2013 to bring the fund balance back to the required level.

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

Year ending December 31:	Mortgage Revenue Bonds Principal	Mortgage Revenue Bonds Interest	OPWC Loan
2014	\$3,800	\$11,025	\$758
2015	4,000	10,854	
2016	4,100	10,674	
2017	4,300	10,518	
2018	4,500	10,296	
2019-2023	25,700	48,284	
2024-2028	32,100	41,946	
2029-2033	40,100	34,048	
2034-2038	49,900	24,164	
2039-2043	62,300	11,860	
2044	14,200	639	
Total	\$245,000	\$214,308	\$758

6. Retirement System

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, 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 WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland marine; and
- Terrorism insurance coverage

8. Interfund Transfers

The Village transferred \$3,000 and \$1,500 from the General Fund to the Special Revenue Street Light Fund during 2013 and 2012, respectively. Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

9. Compliance

Contrary to the requirements of Internal Revenue Code Chapter 26 the Village failed to follow procedures for withholding and remitting Federal Tax and Medicare.

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Dave Yost • Auditor of State

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

Village of West Leipsic
Putnam County
114 Main Street
Leipsic, Ohio 45856-1050

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 West Leipsic, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated September 4, 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 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, 2013-003, and 2013-005 through 2013-007 described in the accompanying schedule of 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 through 2013-004 along with items 2013-008 through 2013-010.

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

Columbus, Ohio

September 4, 2014

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012

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

FINDING NUMBER 2013-001

Material Weakness – Monitoring Controls

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important Council monitor financial activity closely.

There was no evidence the Council reviewed monthly detailed revenue and disbursement ledgers, budgetary activity, deposits, invoices, or fund balances on a regular basis.

The lack of monitoring by Council contributed to the failure to detect inaccurate posting of transactions to the financial statements, such as the following:

- Taxes were understated in 2012 and overstated in 2013 in the General, Fire, and Light Funds in the amounts of \$1,434, \$1,246, and \$1,055 respectively. This was due to the August 2012 real estate settlement not being posted to the Uniform Accounting Network (UAN) System until fiscal year 2013.
- Estate taxes in the amount of \$10,035 and \$28,002 were posted to Miscellaneous Revenue as opposed to Intergovernmental Revenue in the General Fund during 2013 and 2012, respectively.
- Charges for Services of \$75,402 and \$63,750, in 2013 and 2012, respectively, were misclassified as Special Assessments in the Sewer Fund.
- Sewer Receipts received during 2013 in the amount of \$5,743 and the corresponding expense of \$4,051 were back dated as 2012 transactions on the UAN system and resulted in charges for services and other expenses being overstated during 2012 and understated in 2013. The Village had \$7,639 in unrecorded liabilities in the General Fund as of December 31, 2013 which needed to be adjusted as assigned.

Adjusting entries in amounts up to \$75,402 were posted to the financial statements and where applicable, to the accounting records, to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2013-002

Noncompliance Citation

Ohio Rev. Code, § 5705.39, provides in part the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

FINDING NUMBER 2013-002
(Continued)

Furthermore, **Ohio Rev. Code, § 149.351(A)**, provides in part that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred or otherwise damaged or disposed of, except as provided by law.

The Village passed temporary and permanent appropriation measures by the required dates for 2013. However, the appropriation measures were not filed with the county auditor. Furthermore, the Village officials were unable to locate and provide a copy of the appropriation measures approved in 2013.

In addition, there was no evidence the Village obtained a certificate of estimated resources in 2013 and thus did not receive a certificate indicating the appropriations did not exceed estimated resources in 2013. General Fund appropriations at December 31, 2012 in the amount of \$151,581 exceeded estimated resources by \$11,195.

Total appropriations in excess of total available resources may result in deficit spending. The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure annual appropriations and all subsequent modifications have been certified by the County Auditor by the end of each fiscal year so each respective measure has been made effective.

The Fiscal Officer should regularly compare appropriations to the total available resources for expenditure from each fund and submit the necessary modifications to Council for approval. In addition, the Fiscal Officer should make sure annual appropriations and all subsequent modifications have been certified by the County Auditor as the measures are passed so each respective measure has been made effective.

We further recommend all Village records be maintained in accordance with the provisions of Ohio Rev. Code § 149.351. No records may be destroyed until an application or schedule for the destruction of records has been approved by the Ohio Historical Society. The Auditor of State's (AOS) recommended record retention schedule prescribes the Village retain the two most recently completed audits, or retain records for four years from the release date, whichever is longer for audits without findings for recovery. Audits with findings for recovery should be retained for seven years from release unless resolved or paid. One year after findings are resolved or paid, the Village should follow the same schedule as audits without findings for recovery.

FINDING NUMBER 2013-003

Material Weakness and Noncompliance Citation

Ohio Rev. Code, § 5705.40, provides that any appropriation ordinance or measure may be amended or supplemented as long as such amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. The legally adopted appropriations and carry over encumbrances were different than the posted appropriations and carry over encumbrances in the following funds:

**FINDING NUMBER 2013-003
(Continued)**

<u>Fund</u>	<u>Approved Appropriations</u>	<u>Posted Appropriations</u>	<u>Difference</u>
For the year ended December 31, 2013:			
General Fund	\$2,214	\$110,584	(\$108,370)
Street, Construction, Maintenance, and Repair Fund		89,130	(89,130)
State Highway Fund		17,827	(17,827)
Fire Fund		3,838	(3,838)
Street Light Fund		5,596	(5,596)
Debt Fund		756	(756)
Capital Projects Sewer Fund		7,459	(7,459)
Capital Projects Playground Fund		663	(663)
Enterprise Sewer Operation Fund		89,018	(89,018)
Enterprise Sewer Debt Fund		1,100	(1,100)
For the year ended December 31, 2012:			
General Fund	\$152,988	\$138,702	\$(14,286)

The budgetary disclosures have been adjusted to reflect appropriations approved by Council. For 2013, the appropriation amounts only include appropriation measures the Village officials were able to provide for audit.

We recommend the Fiscal Officer only post appropriation measures which have been formally adopted by Council in the minutes of the Village's record of proceedings and certified by the County Auditor. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements. Additionally, should the Village need to amend or supplement its original appropriation measure, it should review the applicable Ohio Revised Code section and work with its legal counsel to ensure compliance with all appropriate law.

FINDING NUMBER 2013-004

Noncompliance Citation

Ohio Rev. Code, §5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The following funds had disbursements and year end encumbrances in excess of appropriations and carry over appropriations at December 31, 2013:

<u>FUND</u>	<u>Total Appropriations</u>	<u>Total Disbursements</u>	<u>Variance</u>
General Fund	\$2,214	\$64,697	(\$62,483)
Street, Construction, and Maintenance Repair Fund		6,766	(6,766)
Fire Fund		1,348	(1,348)
Street Light Fund		5,596	(5,596)
Debt Fund		756	(756)
Enterprise Sewer Operating Fund		79,430	(79,430)

**FINDING NUMBER 2013-004
(Continued)**

Expenditures in excess of appropriations may result in deficit spending. We recommend expenditures and appropriations be reviewed frequently by the Council and the necessary adjustments be made to reduce the possibility of expenditures exceeding appropriations. These adjustments should be formally approved by the Council in the minutes and the Fiscal Officer should only make amendments to the appropriations ledger based on these formally documented approvals.

FINDING NUMBER 2013-005

Material Weakness - Posting to the Uniform Accounting System

The Fiscal Officer did not post sewer receipts timely and back dated 14 out of the 21 sewer receipts received from the Village of Leipsic. Transactions were dated in the Uniform Accounting Network System (UAN) up to three month prior to the actual posting date in order to make the records appear as if the receipt was timely posted. Seven of these transactions were posted to a prior year.

In addition, the Fiscal Officer did not post the August 2012 County Auditor Settlements, along with the Homestead and Rollback receipts from the State of Ohio, to the UAN system until December 2013, which is over sixteen months after the receipt was received.

The untimely posting of transactions and the circumventing of the controls over the UAN system resulted in the misstatement of the financial statements, as shown in finding number 2013-001 above, and could result in fraud occurring without the timely detection by management. The financial statements and accounting records were adjusted to correct the transactions posted to the incorrect year.

We recommend the Fiscal Officer post transactions timely to the UAN system and only use the date of the day the transactions are being posted. We further recommend Village Council periodically review the revenue ledger and bank reconciliation to ensure transactions are being posted timely and not posted to a prior month or year.

FINDING NUMBER 2013-006

Material Weakness – Cash Reconciliations

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Fiscal Officer.

Reconciliations for all months during 2013 and 2012 contained significant unresolved reconciling items or contained reconciling items that were not explained and did not contain support for items ranging from \$2 to \$7,394. These unresolved reconciling items were usually the result of the Fiscal Officer depositing and receipting on different days.

We recommend the Fiscal Officer present evidence to Council which indicates all bank balances has been reconciled to the cash journal fund balances each month without unknown adjusting factors on the reconciliation. In addition, the finance committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of outstanding checks and deposits in transit.

FINDING NUMBER 2013-007

Material Weakness - Posting Estimated Resources

Estimated resources reported on the accounting system differed from amounts approved by the Council and submitted to the County Budget Commission.

The following variances in estimated resources were noted during 2013:

FUNDS	Approved Estimated Resources	Posted Estimated Resources	Variance
As of December 31, 2013:			
General Fund		\$38,222	\$38,222
Street Construction		9,930	9,930
State Highway Fund		1,555	1,555
Fire Fund		3,735	3,735
Light Fund		4,076	4,076
Sewer Operating		75,000	75,000
As of December 31, 2012:			
Fire Fund	\$3,743	3,317	426
Light Fund	3,137	3,086	51

Failure to accurately reflect budgetary figures in the accounting records could result in management basing their decisions on inaccurate information and could possibly result in deficit spending. We recommend the estimated resources posted be based on amounts certified by the County Budget Commission. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

FINDING NUMBER 2013-008

Noncompliance Citation

Ohio Rev. Code § 5705.36 provides that on or about the first day of each fiscal year, the auditor shall certify the total amount from all sources available for expenditure from each fund in the tax budget, with any balances existing at the end of the preceding year.

There was no evidence of a certificate of total amounts from all sources available for expenditure being filed with the Budget Commission in 2013. This resulted in the Village not being issued a certificate of estimated resources for 2013 from the Budget Commission.

We recommend the Fiscal Officer file the appropriate certificate on or about the first day of each fiscal year.

FINDING NUMBER 2013-009

Noncompliance Citation

Internal Revenue Code Chapter 26 describes procedures for withholding and remitting Federal tax and Medicare for employees. Medicare is required to be withheld from wages of employees hired on or after April 1, 1986.

Amounts were withheld from payroll checks for Medicare. The Medicare was to be remitted once a year to the Internal Revenue Service (IRS). Medicare payment for 2008 and 2009 were not remitted until 2012. Payments owed to the Internal Revenue Service (IRS) for 2012 and 2013 were not paid until 2014. In addition, the Fiscal Officer did not complete the forms correctly when calculating the amounts due.

The Fiscal Officer issued the following checks to the Internal Revenue Service for amounts in excess of what was owed to the IRS resulting in over payments to the IRS.

Payee	Period Withheld	Date Paid	Amount Due	Amount Paid	Over / (Under) Paid
IRS	1/1/08 - 12/31/08	6/15/2012	\$361.40	\$1,906.38	\$1,544.98
IRS	1/1/09 - 12/31/09	6/15/2012	360.32	1,900.26	1,539.94
IRS	1/1/10 - 12/31/10	2/28/2011	361.96	361.80	(0.16)
IRS	1/1/11 - 12/31/11	6/15/2012	355.40	1,629.52	1,274.12
IRS	1/1/12 - 12/31/12		321.32		(321.32)
IRS	1/1/13 - 12/31/13	3/18/2014	289.48	289.33	(0.15)
IRS	1/1/08-12/31/13	4/4/2014		2,657.14	2,657.14
Total Over Payment to IRS			\$2,049.88	\$8,744.43	\$6,694.55

In addition, the Fiscal Officer did not provide any supporting documentation for the amount paid on April 4, 2014.

We recommend the Fiscal Officer pay the yearly amounts due to the IRS by the due date. We also recommend the Fiscal Officer contact the IRS and take the corrective action to get the refund due. Any correspondence should be maintained on file or audit.

This matter will be referred to the Internal Revenue Service for any action they deem necessary.

FINDING NUMBER 2013-010

Noncompliance Citation

Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 2004, Section 10 indicates a balance equal to the amount required to be paid during the ensuing fiscal year with respect to all outstanding bonds (the Bond Reserve Requirement), shall be accumulated in the Enterprise Debt Service Fund. Whenever disbursements are made from this fund, monthly payments in the amount of \$124 shall be made until the Bond Reserve Requirement is again accumulated in that fund.

During 2012 and 2013 the \$124 monthly payment was not being made to the Debt Service Fund. This brought down the Enterprise Debt Service Fund's December 31, 2012 fund balance to \$1,100, which is \$13,687 below the required amount of \$14,787. The Debt Service Fund's December 31, 2013 fund balance was still \$1,100, which is \$13,725 below the required amount of \$14,825.

**FINDING NUMBER 2013-010
(Continued)**

We recommend the Village begin making the \$124 payments and continue to do so until the Enterprise Debt Service Fund balance is at the required level. The Enterprise Debt Service Fund balance should be monitored and kept at the Bond Reserve Requirement amount.

Officials' Response:

We did not receive a response from the Officials to the findings reported above.

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**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2011-001	Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 2004, Section 10, for insufficient Sewer fund balance.	No	Not corrected. Repeated as Finding 2013-010 in this report.
2011-002	Ohio Rev. Code § 5705.41(D) for lack of prior certification of expenditures.	Partially Corrected	Partially corrected. Repeated in the management letter.
2011-003	Material weakness due lack of monitoring of financial statements.	No	Not corrected. Repeated as Finding 2013-001 in this report.
2011-004	Significant deficiency for unresolved errors in cash reconciliations.	No	Not corrected. Repeated as Finding 2013-006 in this report.