



**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2009



Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

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Mary Taylor, CPA
Auditor of State

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

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 8, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Leipsic, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The

Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Village of West Leipsic, Putnam County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2010, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

July 8, 2010

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$3,700	\$6,114			\$9,814
Intergovernmental	38,003	13,348		\$25,300	76,651
Special Assessments	322				322
Earnings on Investments	2,574	642			3,216
Miscellaneous	848				848
Total Cash Receipts	45,447	20,104		25,300	90,851
Cash Disbursements:					
Current:					
Security of Persons and Property	16,154	3,696			19,850
Basic Utility Service		7,434			7,434
Transportation	8,432				8,432
General Government	43,238	187			43,425
Debt Service:					
Redemption of Principal			\$378		378
Capital Outlay	5,200			31,612	36,812
Total Cash Disbursements	73,024	11,317	378	31,612	116,331
Total Cash Receipts Over/(Under) Cash Disbursements	(27,577)	8,787	(378)	(6,312)	(25,480)
Other Financing Receipts / (Disbursements):					
Transfers-In		1,000		5,993	6,993
Transfer-Out	(6,993)				(6,993)
Other Financing Uses	(171)			(697)	(868)
Total Other Financing Receipts / (Disbursements)	(7,164)	1,000		5,296	(868)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(34,741)	9,787	(378)	(1,016)	(26,348)
Fund Cash Balances, January 1	\$144,341	\$55,384	\$4,539	\$10,320	\$214,584
Fund Cash Balances, December 31	\$109,600	\$65,171	\$4,161	\$9,304	\$188,236

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$57,309
Operating Cash Disbursements:	
Contractual Services	49,877
Operating Income	7,432
Non-Operating Cash Disbursements:	
Redemption of Principal	3,000
Interest and Other Fiscal Charges	11,772
Total Non-Operating Cash Disbursements	14,772
Net Cash Disbursements Over Cash Receipts	(7,340)
Fund Cash Balances, January 1	48,860
Fund Cash Balances, December 31	\$41,520

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Property and Local Taxes	\$3,323	\$5,803			\$9,126
Intergovernmental	44,151	35,382		\$31,125	110,658
Gifts and Donations				8,900	8,900
Earnings on Investments	11,451	4,055			15,506
Insurance Proceeds	1,964				1,964
Miscellaneous	939				939
Total Cash Receipts	61,828	45,240		40,025	147,093
Cash Disbursements:					
Current:					
Security of Persons and Property	18,550	3,713			22,263
Basic Utility Service	2,466	5,733			8,199
Transportation	7,783				7,783
General Government	44,288	186			44,474
Debt Service:					
Redemption of Principal			\$756		756
Capital Outlay		45,775		65,500	111,275
Total Cash Disbursements	73,087	55,407	756	65,500	194,750
Total Cash Disbursements Over Cash Receipts	(11,259)	(10,167)	(756)	(25,475)	(47,657)
Other Financing Receipts / (Disbursements):					
Transfers-In				26,000	26,000
Transfers-Out	(26,000)				(26,000)
Total Other Financing Receipts / (Disbursements)	(26,000)			26,000	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(37,259)	(10,167)	(756)	525	(47,657)
Fund Cash Balances, January 1	181,600	65,551	5,295	9,795	262,241
Fund Cash Balances, December 31	\$144,341	\$55,384	\$4,539	\$10,320	\$214,584
Reserve for Encumbrances, December 31	\$1,179	\$605			\$1,784

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$54,718
Operating Cash Disbursements:	
Contractual Services	48,845
Operating Income	5,873
Non-Operating Cash Disbursements:	
Redemption of Principal	2,900
Interest and Other Fiscal Charges	11,903
Total Non-Operating Cash Disbursements	14,803
Net Cash Disbursements Over Cash Receipts	(8,930)
Fund Cash Balances, January 1	57,790
Fund Cash Balances, December 31	\$48,860

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, 2009 AND 2008**

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 Putnam County Sheriff's department to provide security of persons and property. The Village contracts with the Village of Leipsic for fire protection and EMS services. The Village of Leipsic also provides water service to Village residents.

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

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

The Village values certificates of deposit at cost.

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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

Fire Fund – This fund receives property taxes to pay for providing fire protection services.

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

3. Debt Service Fund

This fund accounts for resources the Village accumulates to pay bond and note debt.

4. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Funds:

Sanitary Sewer Construction Fund – This fund receives 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.

Sidewalk and Curb Construction Fund – This fund received a Community Development Block Grant for the construction of a sidewalk and a curb in the Village.

Playground Fund – This fund received a State Grant for the construction of a community playground in the Village.

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 from residents to cover the cost of providing and maintaining this utility.

E. Budgetary Process

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

1. Appropriations

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

2. Estimated Resources

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

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 re-appropriated. The Village did not encumber all commitments required by law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

F. 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.

G. 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 and investments. The carrying amount of deposits at December 31 was as follows:

	2009	2008
Demand deposits	\$229,756	\$56,040
Certificate of Deposits		207,404
Total deposits	\$229,756	\$263,444

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$47,473	\$45,447	(\$2,026)
Special Revenue	17,308	21,104	3,796
Capital Projects		31,293	31,293
Enterprise	109,446	57,309	(52,137)
Total	\$174,227	\$155,153	(\$19,074)

2009 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$175,250	\$80,188	\$95,062
Special Revenue	63,344	11,317	52,027
Debt Service	756	378	378
Capital Projects	9,465	32,309	(22,844)
Enterprise	99,540	64,649	34,891
Total	\$348,355	\$188,841	\$159,514

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,608	\$61,828	\$30,220
Special Revenue	11,941	45,240	33,299
Capital Projects		66,025	66,025
Enterprise	50,000	54,718	4,718
Total	\$93,549	\$227,811	\$134,262

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$203,000	\$100,266	\$102,734
Special Revenue	92,870	56,012	36,858
Debt Service	756	756	
Capital Projects	9,322	65,500	(56,178)
Enterprise	92,609	63,648	28,961
Total	\$398,557	\$286,182	\$112,375

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Budgetary Activity

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Street Light Fund by \$852 and the Sidewalk and Curb Fund by \$31,138 for the year ended December 31, 2009 and also in the Fire Fund by \$1,015, the Street Light Fund by \$637, The Sidewalk and Curb Fund by \$30,524 and in the Playground Fund by \$34,362 for the year ended December 31, 2008.

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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

5. Debt

Debt outstanding at December 31, 2009, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$ 3,782	
Mortgage Revenue Bonds	<u>258,600</u>	4.5%
Total	<u><u>\$ 262,382</u></u>	

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 Sewerage 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. The balance in the fund at December 31, 2009 is \$4,159.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Mortgage Revenue Bonds Principal	Mortgage Revenue Bonds Interest	OPWC Loans
2010	\$3,200	\$11,637	\$756
2011	3,300	11,493	756
2012	3,500	11,345	756
2013	3,600	11,218	756
2014	3,800	11,025	758
2015 – 2019	21,600	52,436	
2020 – 2024	26,900	47,128	
2025 – 2029	33,500	40,522	
2030 – 2034	41,900	32,223	
2035 - 2039	52,200	21,918	
2040 - 2044	65,100	9,056	
Total	<u>\$258,600</u>	<u>\$260,001</u>	<u>\$3,782</u>

6. Retirement System

The Village's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. 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 2009 and 2008, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

7. Risk Management

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles liability;
- Public Officials liability.

8. Compliance

The Village did not competitively bid a street repair project totaling \$45,775, or a playground project totaling \$26,386, contrary to the requirements of the Ohio Revised Code.



Mary Taylor, CPA
Auditor of State

**INDEPENDENT ACCOUNTANTS' 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 the financial statements the Village of West Leipsic, Putnam County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated July 8, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the internal control over financial reporting.

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

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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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-004 and 2009-005 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, providing an opinion 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 we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-001 through 2009-003.

We also noted certain matters not requiring inclusion in this report that we reported to the management in a separate letter dated July 8, 2010.

We intend this report solely for the information and use of the Village Council, finance committee, management, and others within the Village. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

July 8, 2010

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2009**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Revised Code § 5705.41(B) prohibits a subdivision or taxing unit from making any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations in the following funds at December 31:

Fund	Appropriated	Expended	Difference
2009			
Street Light Fund	\$3,244	\$4,096	(\$852)
Sidewalks and Curb Fund	\$474	\$31,612	(\$31,138)
2008			
Fire Fund	\$5,100	\$6,115	(\$1,015)
Street Light Fund	\$3,485	\$4,122	(\$637)
Sidewalks and Curb Fund		\$30,524	(\$30,524)
Playground Fund		\$34,362	(\$34,362)

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

FINDING NUMBER 2009-002

Noncompliance Citation

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

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

1. **“Then and Now” Certificate** – If the fiscal officer can certify both at the time the contract or order was made (“then”), and at the time the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of an appropriate fund, free from any previous encumbrances, the Council can authorize the drawing of a warrant for the payment of the amount due. The Council has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Council.

2. **Blanket Certificate** – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket Certificate** – The Council may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Seventy-five percent (75%) of the expenditures tested were not certified by the Fiscal Officer at the time the commitments were incurred, and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

FINDING NUMBER 2009-003

Noncompliance Citation

Ohio Revised Code § 731.14 requires all contracts made by the legislative authority of a village shall be executed in the name of the village and signed on its behalf by the mayor and clerk. Except where the contract is for equipment, services, materials, or supplies to be purchased under division (D) of section 713.23 or section 125.04 or 5513.01 of the Revised Code, available from a qualified nonprofit agency pursuant to sections 4115.31 to 4115.35 of the Revised Code, or required to be purchased from a qualified nonprofit agency under sections 125.60 to 125.6012 of the Revised Code, when any expenditure, other than the compensation of persons employed in the village, exceeds twenty-five thousand dollars, such contracts shall be in writing and made with the lowest and best bidder after advertising once a week for not less than two consecutive weeks in a newspaper of general circulation within the village.

In 2008, the Village did not bid out a street repair project totaling \$45,775 or a playground project totaling \$26,386. There were no circumstances evident allowing an exemption from competitive bidding for either project. As stated above, the Village is required to engage in competitive bidding where the expenditure exceeds \$25,000. We recommend all applicable projects exceeding the bidding requirement be competitively bid by the Village in accordance with the Ohio Revised Code.

FINDING NUMBER 2009-004

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 detail revenue, disbursement ledgers, budgetary activity, invoices, or fund balance reports on a regular basis.

The lack of monitoring by Council contributed to the inaccurate posting of transactions to the financial statements. This includes examples such as the following:

- Incorrect classification of \$2,641 in Intergovernmental Revenue in the Street Construction Maintenance and Repair Fund, instead of the General Fund in 2009.
- Contract Services of \$48,898 in the Sewer Operating Fund was misclassified as Other Expense in 2009.
- Charges for Services of \$57,309 in the Sewer Operating Fund was misclassified as Special Assessments in 2009.

Adjusting entries ranging from \$80 to \$57,309 were posted to the financial statements and accounting records to correct these and other errors.

In order to ensure the financial activity of the Village is being properly accounted for and bills are being paid on time, we recommend the Council review invoices, detail revenue and disbursement ledgers, budgetary activity, and fund balance reports on a frequent, perhaps monthly basis. The documents should be reviewed, initialed and approved in the minutes. Council should also review the annual financial statement prepared by the Fiscal Officer for accuracy and completeness.

FINDING NUMBER 2009-005

Material Weakness - Cash Reconciliations

Prior to the 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 be closed, and month end financial information be generated by the Fiscal Officer.

2009 and 2008 interest from the Money Market and CDARS accounts was not properly posted to the books. This amounted to \$15,416 in unrecorded interest in 2008 and \$2,542 in over recorded interest in 2009. These errors caused revenues in the General Fund to be overstated by 4% in 2009 and understated by 21% in 2008. In addition, the Village had checks posted to the December 2009 books but not dated until the following year. The outstanding checks were overstated by \$4,226 as of December 31, 2009, which was 63% of the total outstanding checks.

We recommend the Fiscal Officer present evidence to Council to prove all bank and current balances have been reconciled to the cash journal fund balances without 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.

The financial statements and accounting records have been adjusted to correct these errors.

Officials' Response:

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Ohio Revised Code § 5705.41(B), expenditures in excess of appropriations.	No	Repeated as Finding 2009-001 in this report.
2007-002	Fiscal Officer should review sewer billings from the Village of Leipsic.	Partially Corrected	Repeated in the management letter.
2007-003	Improve monitoring of financial statements.	No	Repeated as Finding 2009-004 in this report.



Mary Taylor, CPA
Auditor of State

VILLAGE OF WEST 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 27, 2010