



**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2000-1999



**JIM PETRO
AUDITOR OF STATE**

STATE OF OHIO

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

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STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

INDEPENDENT ACCOUNTANTS' REPORT

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

We have audited the accompanying financial statements of the Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999. 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 audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 Leesburg, Highland County, Ohio, as of December 31, 2000 and 1999, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under Section 117.26, of the Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

June 13, 2001

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**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$493,605	\$0	\$0	\$0	\$493,605
Intergovernmental Receipts	72,454	47,229	0	44,824	164,507
Interest	3,476	387	0	0	3,863
Miscellaneous	31,056	452	0	0	31,508
Total Cash Receipts	600,591	48,068	0	44,824	693,483
Cash Disbursements:					
Current:					
Security of Persons and Property	137,013	0	0	0	137,013
Public Health Services	1,742	0	0	0	1,742
Leisure Time Activities	185	0	0	0	185
Transportation	112,699	31,140	0	0	143,839
General Government	176,566	0	0	0	176,566
Debt Service	114,317	0	0	0	114,317
Capital Outlay	220	0	0	44,824	45,044
Total Cash Disbursements	542,742	31,140	0	44,824	618,706
Total Receipts Over/(Under) Disbursements	57,849	16,928	0	0	74,777
Other Financing Receipts/(Disbursements):					
Transfers-In	1,415	0	0	0	1,415
Transfers-Out	(48,246)	0	(1,415)	0	(49,661)
Total Other Financing Receipts/(Disbursements)	(46,831)	0	(1,415)	0	(48,246)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,018	16,928	(1,415)	0	26,531
Fund Cash Balances January 1	126,069	21,105	1,415	4,783	153,372
Fund Cash Balances, December 31	\$137,087	\$38,033	\$0	\$4,783	\$179,903
Reserves for Encumbrances, December 31	\$1,027	\$825	\$0	\$0	\$1,852

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$379,676
Miscellaneous	7,508
Total Operating Cash Receipts	387,184
Operating Cash Disbursements:	
Personal Services	124,074
Fringe Benefits	39,473
Contractual Services	103,904
Supplies and Materials	44,614
Capital Outlay	18,766
Miscellaneous	1,390
Total Operating Cash Disbursements	332,221
Operating Income/(Loss)	54,963
Non-Operating Cash Disbursements:	
Debt Service	88,845
Total Non-Operating Cash Disbursements	88,845
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(33,882)
Transfers-In	96,492
Transfers-Out	(48,246)
Net Receipts Over/(Under) Disbursements	14,364
Fund Cash Balances, January 1	100,651
Fund Cash Balances, December 31	\$115,015
Reserve for Encumbrances, December 31	\$3,634

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property Tax and Other Local Taxes	\$296,300	\$0	\$0	\$0	\$296,300
Intergovernmental Receipts	63,522	46,989	0	0	110,511
Interest	1,689	1,078	0	0	2,767
Miscellaneous	9,235	0	0	0	9,235
Total Cash Receipts	370,746	48,067	0	0	418,813
Cash Disbursements:					
Current:					
Security of Persons and Property	108,298	0	0	0	108,298
Public Health Services	3,000	0	0	0	3,000
Leisure Time Activities	279	0	0	0	279
Transportation	99,012	57,688	0	0	156,700
General Government	112,192	0	0	0	112,192
Debt Service	11,532	0	0	0	11,532
Capital Outlay	140,802	4,334	0	0	145,136
Total Disbursements	475,115	62,022	0	0	537,137
Total Receipts Over/(Under) Disbursements	(104,369)	(13,955)	0	0	(118,324)
Other Financing Receipts/(Disbursements):					
Sale of Notes	200,000	0	0	0	200,000
Transfers-In	0	8,700	0	0	8,700
Transfers-Out	(8,700)	0	0	0	(8,700)
Total Other Financing Receipts/(Disbursements)	191,300	8,700	0	0	200,000
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	86,931	(5,255)	0	0	81,676
Fund Cash Balances January 1	39,138	26,360	1,415	4,783	71,696
Fund Cash Balances, December 31	\$126,069	\$21,105	\$1,415	\$4,783	\$153,372
Reserves for Encumbrances, December 31	\$98,261	\$0	\$0	\$0	\$98,261

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 1999**

	Enterprise
Operating Cash Receipts:	
Charges for Services	\$378,636
Miscellaneous	11,676
Total Operating Cash Receipts	390,312
Operating Cash Disbursements:	
Personal Services	105,014
Fringe Benefits	35,090
Contractual Services	93,597
Supplies and Materials	52,750
Capital Outlay	17,767
Miscellaneous	38
Total Operating Cash Disbursements	304,256
Operating Income/(Loss)	86,056
Non-Operating Cash Disbursements:	
Debt Service	72,608
Other Financing Uses	2,104
Total Non-Operating Cash Disbursements	74,712
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	11,344
Transfers-In	93,598
Transfers-Out	(93,598)
Net Receipts Over/(Under) Disbursements	11,344
Fund Cash Balances, January 1	89,307
Fund Cash Balances, December 31	\$100,651
Reserve for Encumbrances, December 31	\$967

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Leesburg, Highland County, Ohio (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. An elected Clerk-Treasurer is responsible for fiscal control of the resources of the Village. The Village provides general governmental services, including street maintenance, police protection, and water and sewer utilities.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash Deposits

The Village maintains all funds in a non interest-bearing checking account and a certificate of deposit with a local bank. The certificate of deposit is valued at cost. The Village pools its cash for investment purposes to capture the highest rate of return. Investment income is distributed to Village funds based upon Ohio statutes.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

State Highway Fund - This fund receives gasoline tax and motor vehicle license tax money for constructing, maintaining, and repairing state highways running through the Village.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money levied by the Village for constructing, maintaining, and repairing Village streets.

3. Debt Service Fund

This fund is used to account for excess resources available for debt retirement. These excess resources were transferred to the general fund in 2000.

4. Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Village had the following significant capital project funds:

Farmers Home Administration, Candle-lite Access Street Improvement Project Fund - This fund was used to account for monies received from the Farmers Home Administration for the cost of capital improvements to Centerfield Road in the Village.

Water Tower/OPWC Project Fund - This fund is being used to account for the construction project of a new water tower in the Village. The fund is receiving grant monies from the Ohio Public Works Commission (OPWC) to fund the majority of the project.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Garbage Fund - This fund receives charges for services from residents to cover the cost of garbage collection in the Village.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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

Sewer Debt Service Fund - This fund is used to accumulate resources for retirement of mortgage revenue bonds issued to fund improvements to the Village's wastewater treatment system.

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

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 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. Financial statements were adjusted to include encumbrances that should have been recorded at year-end.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Unpaid Sick Leave

Employees are entitled to cash payments for unused sick leave in certain circumstances, such as upon leaving employment. Unpaid sick leave is not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$ 244,952	\$ 206,031
Certificate of deposit	<u>49,966</u>	<u>47,992</u>
Total deposits	<u>\$ 294,918</u>	<u>\$ 254,023</u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 559,981	\$ 602,006	\$ 42,025
Special Revenue	36,793	48,068	11,275
Capital Projects	0	44,824	44,824
Enterprise	<u>418,371</u>	<u>483,676</u>	<u>65,305</u>
Total	<u>\$ 1,015,145</u>	<u>\$ 1,178,574</u>	<u>\$ 163,429</u>

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 686,245	\$ 592,015	\$ 94,230
Special Revenue	57,897	31,965	25,932
Debt Service	1,415	1,415	0
Capital Projects	4,783	44,824	(40,041)
Enterprise	567,270	472,946	94,324
Total	<u>\$ 1,317,610</u>	<u>\$ 1,143,165</u>	<u>\$ 174,445</u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 545,504	\$ 570,746	\$ 25,242
Special Revenue	56,045	56,767	722
Enterprise	445,143	483,910	38,767
Total	<u>\$ 1,046,692</u>	<u>\$ 1,111,423</u>	<u>\$ 64,731</u>

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 561,470	\$ 582,076	\$ (20,606)
Special Revenue	71,024	62,022	9,002
Capital Projects	4,782	0	4,782
Enterprise	457,852	473,533	(15,680)
Total	<u>\$ 1,095,128</u>	<u>\$ 1,117,631</u>	<u>\$ (22,502)</u>

Contrary to Ohio Rev. Code, Section 5705.41(B), expenditures exceeded appropriations in the Water Tower/OPWC Fund, the Water Fund, and the Sewer Fund at December 31, 2000 and in the General Fund, the Water Fund, the Sewer Fund, and the Garbage Fund at December 31, 1999.

Expenditures exceeded appropriations in the Water Tower/OPWC Fund in 2000 partly because the Village recorded, for financial reporting purposes only, expenditures for payments by the Ohio Public Works Commission directly to contractors on the Village's behalf. The Village did not formally establish a fund as required by Ohio Rev. Code, Section 5705.09(F), and therefore did not establish the required budgetary authority.

Contrary to Ohio Rev. Code, Section 5705.39, appropriations exceeded estimated resources in the Water Project, Water Debt Service, Sewer Project, and Sewer Debt Service Funds at December 31, 2000.

Contrary to Ohio Rev. Code, Section 5705.41(D), the Village did not obtain prior certification of the fiscal officer for all purchases, nor were all purchases encumbered as required by Ohio law.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, 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, 2000 was as follows:

	Principal	Interest Rate
Sewer Mortgage Revenue Bonds (FHA)	\$ 413,000	5.00%
Water Mortgage Revenue Bonds	100,300	6.00%
Ohio Public Works Commission (OPWC) Loan	244,000	0.00%
Ohio Water Development Authority (OWDA) Loan	240,928	6.56%
Fifth Third Bank Note - Cruiser	3,297	6.25%
Fifth Third Bank Note - Fire Hydrant Project	102,530	5.00%
Total	\$ 1,104,055	

During 1982, the Village issued \$573,500 of sewer mortgage revenue bonds through the Farmers Home Administration (FHA) to fund an improvement project on the Village's existing wastewater treatment plant. The bonds are being retired over a period of 38 years, paid from sewer system revenues.

During 1986, the Village issued \$116,000 of water mortgage revenue bonds to fund an improvement project to the Village's water plant. The bonds are being retired over a period of 40 years, paid from water system revenues.

During 1996, the Village received an Ohio Public Works Commission Loan and an Ohio Water Development Authority Loan for \$305,000 and \$295,050, respectively, to fund water system and wastewater treatment system improvements. These loans are being repaid over a period of 20 years and 15 years, respectively, paid 72% from water system revenues and 28% from sewer system revenues.

During 1998, the Village obtained a \$19,599 note from Fifth Third Bank to purchase a police cruiser. The loan is being repaid over a period of three years, paid from general revenues.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

During 1999, the Village obtained a \$200,000 note from Fifth Third Bank to fund fire hydrant and valve replacements. The loan is being repaid over a period of two years, paid from general revenues.

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

Year ending December 31:	Sewer Mortgage Revenue Bonds (FHA)	Water Mortgage Revenue Bonds	OPWC Loan	OWDA Loan	Fifth Third Bank Note Cruiser	Fifth Third Bank Note Fire Hydrants
2001	\$ 34,650	\$ 7,718	\$ 7,625	\$ 31,501	\$ 3,640	\$ 106,227
2002	33,950	7,716	15,250	31,500	0	0
2003	34,250	7,708	15,250	31,501	0	0
2004	34,500	7,694	15,250	31,500	0	0
2005	33,700	7,674	15,250	31,501	0	0
Subsequent	<u>478,150</u>	<u>162,076</u>	<u>175,375</u>	<u>181,677</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 649,200</u>	<u>\$ 200,586</u>	<u>\$ 244,000</u>	<u>\$ 339,180</u>	<u>\$ 3,640</u>	<u>\$ 106,227</u>

6. RETIREMENT SYSTEM

The Village's law enforcement officers belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Other Village employees belong to the Public Employees Retirement System (PERS) of Ohio. PFDPF and PERS are cost-sharing, multiple-employer plans. The plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PFDPF members contributed 10% of their gross wages and the Village contributed an amount equal to 19.5% of PFDPF participants' gross wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 10.84% of PERS participants' gross salaries in 2000 and 13.55% of PERS participants' gross salaries in 1999. The Village has paid all PFDPF and PERS contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

8. SPECIAL AUDIT

The Auditor of State Special Audit Division conducted an agreed-upon procedures engagement to review the Village's utility collections, income tax department collections, charge accounts, and inventory records of the Village Police Department. The engagement covered the period from April 1, 1996 through July 15, 1999. A copy of the report can be obtained from the Auditor of State.



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

250 West Court Street
Suite 150 E
Cincinnati, Ohio 45202
Telephone 513-361-8550
800-368-7419
Facsimile 513-361-8577
www.auditor.state.oh.us

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Village Council:

We have audited the financial statements of the Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated June 13, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2000-30436-001, 2000-30436-002, 2000-30436-003, and 2000-30436-004. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 13, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2000-30436-004, 2000-30436-005, 2000-30436-006, 2000-30436-007, 2000-30436-008, and 2000-30436-009.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Village of Leesburg
Highland County
Report on Compliance and on Internal Control Required by
Government Auditing Standards
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We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 13, 2001.

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

Jim Petro
Auditor of State

June 13, 2001

**VILLAGE OF LEESBURG
SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-30436-001

Noncompliance Citation

Ohio Rev. Code, Section 5705.39, states that the total appropriation from each fund should not exceed the total estimated revenue. Contrary to this section, the Village had total appropriations in excess of estimated resources in the following funds:

<u>Date</u>	<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Estimated Resources</u>	<u>Variance</u>
December 31, 2000	Water Debt Service	\$27,469	\$23,635	(\$3,834)
	Water Project	\$53,893	\$38,449	(\$15,444)
	Sewer Debt Service	\$86,652	\$63,684	(\$22,968)
	Sewer Project	\$30,603	\$24,603	(\$6,000)

FINDING NUMBER 2000-30436-002

Noncompliance Citation

Ohio Rev. Code, Section 5705.41(B), states that no subdivision shall make any expenditure of money unless it has been appropriated. Expenditures exceeded appropriations in the following funds, contrary to this section.

<u>Date</u>	<u>Fund</u>	<u>Total Appropriations</u>	<u>Total Budgetary Expenditures</u>	<u>Variance</u>
December 31, 2000	Water	\$112,191	\$133,123	(\$20,932)
	Sewer	\$192,341	\$196,546	(\$4,205)
	Water Tower/Ohio Public Works	\$0	\$44,824	(\$44,824)
December 31, 1999	General	\$561,470	\$582,076	(\$20,606)
	Water	\$123,382	\$147,205	(\$23,823)
	Sewer	\$187,100	\$206,544	(\$19,444)
	Garbage	\$55,000	\$56,597	(\$1,597)

FINDING NUMBER 2000-30436-003

Noncompliance Citation

Ohio Rev. Code, Section 5705.09(F), requires the Village to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Village's appropriations, as required by Ohio Rev. Code, Sections 5705.36 and 5705.41(B), respectively. The Ohio Public Works Commission (OPWC) made payments totaling \$9,977 for the new water tower project to contractors on behalf of the Village. The Village did not formally establish the required fund to account for these monies. Guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletin 2000-08. Additionally, the Village received and disbursed \$34,847 from OPWC for the project.

FINDING NUMBER 2000-30436-004

Noncompliance Citation - Reportable Condition

Ohio Rev. Code, Section 5705.41 (D), provides that a subdivision or taxing unit shall not make any contract or order involving the disbursement of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment.

This section also provides two "exceptions" to the above requirements:

1. Then and Now Certificate: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the fiscal officer is completing the certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.
2. Amounts of less than \$1,000 for villages, may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Our tests indicated that 79% of disbursements had obligations entered into prior to the certification occurring and no "then and now" certificate was issued, contrary to this requirement. Additionally, there were unencumbered purchase commitments at December 31, 1999, in the General Fund totaling \$98,261, and in the Sewer Fund totaling \$967. The financial statements were adjusted to record these unencumbered purchase commitments.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be provided for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.

FINDING NUMBER 2000-30436-005

Reportable Condition

Monthly reconciliations were not performed accurately and in a timely manner during the audit period. The Village's inability to get the books in balance with the bank resulted from several mispostings in the Uniform Accounting Network system. Failure to post all transactions and to perform monthly reconciliations could lead to unauthorized or inaccurate transactions occurring and going undetected.

Additionally, financial information is provided periodically to Village Council; however, monthly financial reports and reconciliations are not consistently provided to Council and documented in the minutes. The lack of effective monitoring by Village Council also could lead to unauthorized or inaccurate transactions occurring and going undetected.

We recommend that monthly reconciliations be performed accurately and in a timely manner. Monthly reconciliations and monthly financial reports should be provided to Village Council at each regular meeting to facilitate effective monitoring of Village financial activity. Village Council's review of monthly reconciliations and financial reports should be documented in the minutes.

FINDING NUMBER 2000-30436-006

Reportable Condition

We noted the following weaknesses in the controls over Village expenditures:

- The proper program and object codes were not always used in posting of expenditures to the UAN system.
- Purchase orders were not always signed as approved by two Village Council members.
- Disbursements were not consistently certified as available for expenditure in advance of purchase commitments being made.
- During 1999, checks were signed solely by the Clerk-Treasurer.
- There is no consistent documentation on invoices that a review was performed to ensure that goods or services billed were actually received by the Village.
- Check numbers for expenditures posted on the UAN system did not always agree with the actual check number. This resulted in some checks being voided in the UAN system, but actually clearing the bank (manual checks).

Lack of an effective control system over the Village's expenditures could result in overspending of funds or unauthorized or inaccurate expenditures occurring. We recommend that the Village take appropriate steps to correct the above-mentioned control weaknesses.

FINDING NUMBER 2000-30436-007

Reportable Condition

We noted the following weaknesses in the controls over Village payroll transactions:

- Time sheets did not consistently show evidence of supervisory approval.
- Pay rates were not always formally approved in advance by Village Council.
- During 1999, payroll checks were signed solely by the Clerk-Treasurer.
- Payroll checks were not always issued consecutively.

Lack of an effective control system over Village payroll transactions could result in salaries or wages being paid for work not actually performed, or employees could be compensated for incorrect salary or hourly rates. To improve the controls over Village payroll, we recommend the following:

- Village Council should approve in the minute records all salaries and hourly rates in advance.
- Time sheets should be signed by appropriate supervisors.
- Payroll checks should be signed by the Mayor or a Council member along with the Clerk-Treasurer.
- Checks should be issued consecutively.

FINDING NUMBER 2000-30436-008

Reportable Condition

Monitoring controls over budgetary compliance have not been placed in operation. The Village Council is not receiving and reviewing monthly financial reports detailing monthly and year-to-date budgetary and actual receipts and expenditures totals. Additionally, budgeted receipts and appropriations passed throughout the audit period were not properly posted to the UAN system. Failure to properly post budgeted receipts and appropriations and a lack of Village Council monitoring could result in spending of funds in excess of resources. We recommend that the Clerk-Treasurer properly post budgeted receipts and appropriations to the UAN system and that monthly reports detailing budgetary status be provided to Village Council for review.

FINDING NUMBER 2000-30436-009

Reportable Condition

The Village utilizes the Uniform Accounting Network for their accounting system; however, receipt and appropriation accounts being posted are not consistently correct. There were several adjustments and reclassifications posted during the audit. Failure to properly post transactions in the accounting system results in misstatements in the accounting records and does not facilitate monitoring of fiscal activity by management and Village Council. We recommend the Clerk-Treasurer review the Uniform Accounting Network chart of accounts and assure that transactions are posted to the proper receipt and appropriation accounts.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

VILLAGE OF LEESBURG

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 14, 2001**