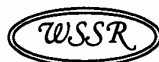

VILLAGE OF LEESBURG
HIGHLAND COUNTY

REGULAR AUDIT

YEARS ENDED DECEMBER 31, 2006 & 2005

Whited Seigneur Sams & Rahe, LLP
CERTIFIED PUBLIC ACCOUNTANTS



213 South Paint Street • Chillicothe, Ohio 45601-3828
(740) 702-2600 – Voice • (740) 702-2610 – Fax • wssr@horizonview.net



Mary Taylor, CPA

Auditor of State

Village Council
Village of Leesburg
57 South Fairfield Street
P.O. Box 305
Leesburg, Ohio 45135

We have reviewed the *Independent Auditors' Report* of the Village of Leesburg, Highland County, prepared by Whited, Seigneur, Sams & Rahe CPAs, LLP, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State 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. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Leesburg is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2007

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**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

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Whited Seigneur Sams & Rahe, LLP

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March 16, 2007

Village Of Leesburg
Highland County
57 South Fairfield Street
P.O. Box 305
Leesburg, OH 45135

Independent Auditor's Report

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, 2006 and 2005. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions 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 *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 audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of the 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 accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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 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 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, 2006 and 2005, or its changes in financial position or cash flows of its proprietary funds 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 as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. 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 March 16, 2007, 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 testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP



**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 427,571	\$ 3,413	\$ 0	\$ 430,984
Intergovernmental Receipts	65,038	67,274	0	132,312
Fines, Licenses, Permits and Fees	1,157	0	0	1,157
Charges for Services	6	0	0	6
Earnings on Investments	17,401	6,378	0	23,779
Miscellaneous	<u>11,701</u>	<u>0</u>	<u>0</u>	<u>11,701</u>
TOTAL CASH RECEIPTS	522,874	77,065	0	599,939
CASH DISBURSEMENTS				
Current				
Security of Persons and Property	149,040	125	0	149,165
Transportation	35,945	69,075	0	105,020
General Government	118,176	0	0	118,176
Capital Outlay	<u>0</u>	<u>3,959</u>	<u>0</u>	<u>3,959</u>
TOTAL CASH DISBURSEMENTS	<u>303,161</u>	<u>73,159</u>	<u>0</u>	<u>376,320</u>
TOTAL RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	219,713	3,906	0	223,619
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):				
Sale of Fixed Assets	800	0	0	800
Transfers -In	2,351	0	0	2,351
Transfers -Out	0	(890)	0	(890)
Advances -Out	(12,874)	0	0	(12,874)
Other Uses	<u>(33,630)</u>	<u>0</u>	<u>0</u>	<u>(33,630)</u>
TOTAL OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)	<u>(43,353)</u>	<u>(890)</u>	<u>0</u>	<u>(44,243)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	176,360	3,016	0	179,376
Fund Cash Balances, January 1	<u>422,525</u>	<u>49,699</u>	<u>4,478</u>	<u>476,702</u>
Fund Cash Balances, December 31	<u>\$ 598,885</u>	<u>\$ 52,715</u>	<u>\$ 4,478</u>	<u>\$656,078</u>
Reserves for Encumbrances, December 31	<u>\$ 1,805</u>	<u>\$ 218</u>	<u>\$ 0</u>	<u>\$ 2,023</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ <u>433,334</u>
Total Operating Cash Receipts	433,334
Operating Cash Disbursements:	
Personal Services	121,631
Employee Benefits	53,129
Contractual Services	171,046
Supplies and Materials	49,417
Capital Outlay	<u>2,244,489</u>
Total Operating Cash Disbursements	<u>2,639,712</u>
Operating Income/(Loss)	(2,206,378)
Non-Operating Cash Receipts/Disbursements:	
Miscellaneous	110
Debt Proceeds	2,422,578
Debt Service:	
Redemption of Principal	(61,668)
Interest and Other Fiscal Charges	<u>(26,473)</u>
Total Non-Operating Cash Receipts/Disbursements	<u>2,334,547</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	128,169
Transfers – In	80,813
Advances – In	12,874
Transfers – Out	<u>(82,274)</u>
Net Receipts Over Disbursements	139,582
Fund Cash Balances, January 1	<u>146,768</u>
Fund Cash Balances, December 31	<u>\$ 286,350</u>
Reserve for Encumbrances, December 31	<u>\$ 887</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
CASH RECEIPTS				
Property and Other Local Taxes	\$ 462,666	\$ 3,351	\$ 0	\$ 466,017
Intergovernmental Receipts	53,708	70,866	0	124,574
Fines, Licenses, Permits and Fees	963	0	0	963
Charges for Services	16	0	0	16
Earnings on Investments	3,201	357	0	3,558
Miscellaneous	<u>9,200</u>	<u>0</u>	<u>0</u>	<u>9,200</u>
TOTAL CASH RECEIPTS	529,754	74,574	0	604,328
CASH DISBURSEMENTS				
Current				
Security of Persons & Property	114,258	0	0	114,258
Transportation	9,249	74,203	0	83,452
General Government	120,579	0	0	120,579
Capital Outlay	8,500	0	0	8,500
Debt Service:				
Redemption of Principal	1,881	0	0	1,881
Interest and Other Fiscal Charges	<u>33</u>	<u>0</u>	<u>0</u>	<u>33</u>
TOTAL CASH DISBURSEMENTS	<u>254,500</u>	<u>74,203</u>	<u>0</u>	<u>328,703</u>
TOTAL RECEIPTS OVER/(UNDER) CASH DISBURSEMENTS	275,254	371	0	275,625
OTHER FINANCING RECEIPTS AND (DISBURSEMENTS):				
Transfers -In	0	10,000	0	10,000
Other Uses	(7,037)	0	0	(7,037)
Transfers -Out	<u>(136,044)</u>	<u>0</u>	<u>0</u>	<u>(136,044)</u>
TOTAL OTHER FINANCING RECEIPTS AND (DISBURSEMENTS)	<u>(143,081)</u>	<u>10,000</u>	<u>0</u>	<u>(133,081)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements And Other Financing Disbursements	132,173	10,371	0	142,544
Fund Cash Balances, January 1	<u>290,352</u>	<u>39,328</u>	<u>4,478</u>	<u>334,158</u>
Fund Cash Balances, December 31	<u>\$ 422,525</u>	<u>\$ 49,699</u>	<u>\$ 4,478</u>	<u>\$476,702</u>
Reserves for Encumbrances, December 31	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$ 388,428
Miscellaneous	<u>65</u>
Total Operating Cash Receipts	388,493
Operating Cash Disbursements:	
Personal Services	117,114
Employee Benefits	38,671
Contractual Services	141,832
Supplies & Materials	53,930
Capital Outlay	<u>23,929</u>
Total Operating Cash Disbursements	<u>375,476</u>
Operating Income/(Loss)	13,017
Non-Operating Cash Receipts/Disbursements:	
Debt Proceeds	387,581
Debt Service:	
Redemption of Principal	(408,928)
Interest and Other Fiscal Charges	<u>(42,627)</u>
Total Non-Operating Cash Receipts/Disbursements	<u>(63,974)</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers	(50,957)
Transfers – In	217,298
Transfers – Out	<u>(91,254)</u>
Net Receipts Over Disbursements	75,087
Fund Cash Balances, January 1	<u>71,681</u>
Fund Cash Balances, December 31	<u>\$ 146,768</u>
Reserve for Encumbrances, December 31	<u>\$ 0</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

• **Description of the Entity**

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. The Village provides street maintenance, police protection, water and sewer utilities and garbage collection.

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

• **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.

• **Cash Deposits**

The Village maintains all funds in an interest-bearing checking account and a certificate of deposit with a local financial institution. The certificate of deposit is valued at cost. The Village pools its cash deposits for investment purposes to capture the highest rate of return.

• **Fund Accounting**

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

- **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.
- **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.

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

- **Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant capital project fund:

Street Improvement Fund – This fund is being used to account for improvements made to the Village's Streets. There was no activity in 2006 or 2005.

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

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

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.

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 plant.

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

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 the future improvements to the Village's water 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 and for future improvements to the Village's wastewater treatment system.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Budgetary Process**

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

- **Appropriations** - Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The 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.
- **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.
- **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.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

- **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.

- **Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH

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

	2006	2005
Demand Deposits	\$ 884,490	\$ 568,049
Certificate of Deposit	57,938	55,421
Total deposits	\$ 942,428	\$ 623,470

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2006 and 2005 were as follows:

2006 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 965,025	\$ 526,025	\$ (439,000)
Special Revenue	114,699	77,065	(37,634)
Capital Projects	0	0	0
Enterprise	<u>3,134,154</u>	<u>2,949,709</u>	<u>(184,445)</u>
Total	<u>\$ 4,213,878</u>	<u>\$3,552,799</u>	<u>\$ (661,079)</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 951,151	\$ 351,470	\$ 599,681
Special Revenue	114,699	74,267	40,432
Capital Projects	0	0	0
Enterprise	<u>3,134,154</u>	<u>2,811,014</u>	<u>323,140</u>
Total	<u>\$ 4,200,004</u>	<u>\$ 3,236,751</u>	<u>\$ 963,253</u>

2005 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General	\$ 560,660	\$ 529,754	\$ (30,906)
Special Revenue	105,472	84,574	(20,898)
Capital Projects	0	0	0
Enterprise	<u>3,329,765</u>	<u>993,372</u>	<u>(2,336,393)</u>
Total	<u>\$ 3,995,897</u>	<u>\$1,607,700</u>	<u>\$(2,388,197)</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 560,660	\$ 397,581	\$ 163,079
Special Revenue	105,472	74,203	31,269
Capital Projects	0	0	0
Enterprise	<u>3,329,765</u>	<u>918,285</u>	<u>2,411,480</u>
Total	<u>\$3,995,897</u>	<u>\$1,390,069</u>	<u>\$ 2,605,828</u>

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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. LOCAL INCOME TAX

This locally levied tax of one percent applies to all salaries, wages, commissions and other compensation earned by residents both in and out of the Village and to earnings of nonresidents earned in the Village. It also applies to net profits of business organizations conducted within the Village. Proceeds of the tax are credited entirely to the General Fund.

6. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Sewer Mortgage Revenue Bonds (FHA)	\$ 320,000	5.00%
Water Mortgage Revenue Bonds	88,500	6.00%
Ohio Public Works Commission (OPWC) Loan - 1996	152,500	0.00%
Ohio Water Development Authority (OWDA) Loan – 1996	109,288	6.56%
Ohio Public Works Commission (OPWC) Loan – 2002	194,201	0.00%
Ohio Water Development Authority (OWDA) Loan – 2002	<u>2,796,437</u>	1.50%
Total	\$ 3,660,926	

The Sewer Mortgage Revenue Bonds through the Farmers Home Administration (FHA) were issued in 1982 to finance an improvement project on the Village's wastewater treatment plant. The bonds are being retired over a period of 38 years, paid from sewer system revenues.

The Water Mortgage Revenue Bonds were issued in 1986 to finance an improvement project to the Village's water plant. The bonds are being retired over a period of 40 years, payable from water system revenues.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

6. DEBT (Continued)

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

During 2001, the Village received an OPWC Loan for \$222,500 to finance a water tower replacement project. The loan will be repaid from water system revenues, over a period of 20 years.

During 2002, the Village received an OWDA Loan for \$295,000 to finance the planning phase of a wastewater improvement project. This loan was repaid with a balloon payment in 2005.

During 2005, the Village entered into an OWDA Construction Loan for a wastewater treatment plant expansion and upgrade. The project is expected to be completed in 2007 with an estimated first payment date of 1/1/2008. This loan will be repaid with sewer system revenues over a period of 30 years. An estimated amortization of this loan was included in the following schedule.

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

Year Ending	Sewer Mortgage Revenue	Water Mortgage Revenue	OPWC Loans	OWDA Loans	Total
<u>December 31</u>	<u>Bonds(FHA)</u>	<u>Bonds</u>			
2007	\$ 34,000	\$ 7,710	\$ 12,874	\$ 26,341	\$ 80,925
2008	34,100	7,766	25,747	143,650	211,263
2009	34,150	7,710	25,747	143,650	211,257
2010	34,150	7,748	25,747	143,650	211,295
2011	34,100	7,674	25,747	143,650	211,171
2012 – 2016	170,850	38,530	128,737	586,543	924,660
2017 – 2021	101,250	38,498	60,112	586,543	786,403
2022 – 2026	0	38,696	41,990	586,543	667,229
2027 – 2031	0	0	0	586,543	586,543
2032 – 2036	0	0	0	586,543	586,543
2037	0	0	0	117,309	117,309
Total	<u>\$442,600</u>	<u>\$ 154,332</u>	<u>\$346,701</u>	<u>\$3,650,965</u>	<u>\$4,594,598</u>

7. RETIREMENT SYSTEMS

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

**VILLAGE OF LEESBURG
HIGHLAND COUNTY, OHIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

7. RETIREMENT SYSTEMS (Continued)

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of participant wages. PERS members contributed 9% and 8.5% of their wages for 2006 and 2005, respectively. The Village contributed an amount equal to 13.7% and 13.55% of participants' gross salaries for 2006 and 2005, respectively. As of December 31, 2006 the Village has fully remitted these amounts.

8. RISK MANAGEMENT

The Village has obtained commercial insurance for the following risks:

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

9. CONTINGENT LIABILITIES

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

Whited Seigneur Sams & Rahe, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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March 16, 2007

Village of Leesburg
Highland County
57 South Fairfield Street
P.O. Box 305
Leesburg, OH 45135

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by Government Auditing Standards

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, 2006 and 2005 and have issued our report thereon dated March 16, 2007, wherein we noted the Village followed accounting practices prescribed or permitted by the Auditor of State rather than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, 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 no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Village in a separate letter dated March 16, 2007.

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

Respectfully submitted,

WHITED SEIGNEUR SAMS & RAHE CPAs, LLP

Whited Seigneur Sams & Rahe



Mary Taylor, CPA
Auditor of State

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
MAY 17, 2007**