



Dave Yost • Auditor of State

VILLAGE OF LEESBURG
HIGHLAND COUNTY

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Dave Yost • Auditor of State

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

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.

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

Dave Yost
Auditor of State

January 25, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009. 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(A) mandates 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, 2010 and 2009 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, 2010 and 2009, 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 Village of Leesburg, Highland County, as of December 31, 2010 and 2009, 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 January 25, 2012, 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.



Dave Yost
Auditor of State

January 25, 2012

**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, 2010**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|---|-------------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Property and Local Taxes | \$39,793 | \$2,822 | \$0 | \$42,615 |
| Municipal Income Tax | 413,227 | | | 413,227 |
| Intergovernmental | 64,390 | 62,363 | | 126,753 |
| Charges for Services | 11 | | | 11 |
| Fines, Licenses and Permits | 2,523 | | | 2,523 |
| Earnings on Investments | 1,636 | | | 1,636 |
| Miscellaneous | 10,808 | | | 10,808 |
| Total Cash Receipts | <u>532,388</u> | <u>65,185</u> | <u>0</u> | <u>597,573</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 254,216 | | | 254,216 |
| Transportation | 17,984 | 66,224 | | 84,208 |
| General Government | 137,630 | | | 137,630 |
| Capital Outlay | | 7,375 | | 7,375 |
| Total Cash Disbursements | <u>409,830</u> | <u>73,599</u> | <u>0</u> | <u>483,429</u> |
| Total Receipts Over/(Under) Disbursements | <u>122,558</u> | <u>(8,414)</u> | <u>0</u> | <u>114,144</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Proceeds from Sale of Public Debt: | | | | |
| Transfers-In | 49 | | | 49 |
| Advances-In | 169,806 | | | 169,806 |
| Advances-Out | (136,806) | | | (136,806) |
| Other Financing Uses | (33,332) | | | (33,332) |
| Total Other Financing Receipts / (Disbursements) | <u>(283)</u> | <u>0</u> | <u>0</u> | <u>(283)</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | <u>122,275</u> | <u>(8,414)</u> | <u>0</u> | <u>113,861</u> |
| Fund Cash Balances, January 1 | <u>719,406</u> | <u>32,094</u> | <u>4,478</u> | <u>755,978</u> |
| Fund Cash Balances, December 31 | <u>\$841,681</u> | <u>\$23,680</u> | <u>\$4,478</u> | <u>\$869,839</u> |
| Reserve for Encumbrances, December 31 | <u>\$2,347</u> | <u>\$39</u> | <u>\$0</u> | <u>\$2,386</u> |

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

| | Enterprise |
|--|-------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$630,287 |
| Total Operating Cash Receipts | 630,287 |
| Operating Cash Disbursements: | |
| Personal Services | 113,294 |
| Employee Fringe Benefits | 78,818 |
| Contractual Services | 214,794 |
| Supplies and Materials | 38,374 |
| Total Operating Cash Disbursements | 445,280 |
| Operating Income/(Loss) | 185,007 |
| Non-Operating Cash Receipts: | |
| Intergovernmental | 75,242 |
| Other Debt Proceeds | 143,978 |
| Total Non-Operating Cash Receipts | 219,220 |
| Non-Operating Cash Disbursements: | |
| Capital Outlay | 243,184 |
| Redemption of Principal | 116,204 |
| Interest and Other Fiscal Charges | 20,490 |
| Total Non-Operating Cash Disbursements | 379,878 |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 24,349 |
| Transfers-In | 185,534 |
| Transfers-Out | (185,584) |
| Advances-In | 136,806 |
| Advances-Out | (169,806) |
| Net Receipts Over/(Under) Disbursements | (8,701) |
| Fund Cash Balances, January 1 | 600,491 |
| Fund Cash Balances, December 31 | \$591,790 |
| Reserve for Encumbrances, December 31 | \$1,030 |

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, 2009**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Totals (Memorandum Only)</u> |
|--|-------------------------|----------------------------|-----------------------------|---|
| Cash Receipts: | | | | |
| Property and Local Taxes | \$39,834 | \$2,548 | \$0 | \$42,382 |
| Municipal Income Tax | 342,641 | | | 342,641 |
| Intergovernmental | 63,000 | 85,931 | | 148,931 |
| Charges for Services | 12 | | | 12 |
| Fines, Licenses and Permits | 3,317 | | | 3,317 |
| Earnings on Investments | 1,648 | | | 1,648 |
| Miscellaneous | 11,868 | | | 11,868 |
| | <u>462,320</u> | <u>88,479</u> | <u>0</u> | <u>550,799</u> |
| Cash Disbursements: | | | | |
| Current: | | | | |
| Security of Persons and Property | 258,615 | 445 | | 259,060 |
| Transportation | 7,493 | 64,815 | | 72,308 |
| General Government | 135,540 | | | 135,540 |
| Capital Outlay | | 304 | | 304 |
| | <u>401,648</u> | <u>65,564</u> | <u>0</u> | <u>467,212</u> |
| Total Receipts Over/(Under) Disbursements | <u>60,672</u> | <u>22,915</u> | <u>0</u> | <u>83,587</u> |
| Other Financing Receipts / (Disbursements): | | | | |
| Proceeds from Sale of Public Debt: | | | | |
| Transfers-In | 3,576 | 1,752 | | 5,328 |
| Transfers-Out | | (23,373) | | (23,373) |
| Advances-In | 120,148 | | | 120,148 |
| Other Financing Uses | (36,925) | | | (36,925) |
| | <u>86,799</u> | <u>(21,621)</u> | <u>0</u> | <u>65,178</u> |
| Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements | 147,471 | 1,294 | 0 | 148,765 |
| Fund Cash Balances, January 1 | <u>571,935</u> | <u>30,800</u> | <u>4,478</u> | <u>607,213</u> |
| Fund Cash Balances, December 31 | <u>\$719,406</u> | <u>\$32,094</u> | <u>\$4,478</u> | <u>\$755,978</u> |
| Reserve for Encumbrances, December 31 | <u>\$1,377</u> | <u>\$106</u> | <u>\$0</u> | <u>\$1,483</u> |

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 PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

| | <u>Enterprise</u> |
|--|--------------------------------|
| Operating Cash Receipts: | |
| Charges for Services | \$1,094,884 |
| Total Operating Cash Receipts | <u>1,094,884</u> |
| Operating Cash Disbursements: | |
| Personal Services | 103,750 |
| Employee Fringe Benefits | 67,714 |
| Contractual Services | 217,714 |
| Supplies and Materials | 41,021 |
| Total Operating Cash Disbursements | <u>430,199</u> |
| Operating Income/(Loss) | <u>664,685</u> |
| Non-Operating Cash Disbursements: | |
| Capital Outlay | 1,513 |
| Redemption of Principal | 90,931 |
| Interest and Other Fiscal Charges | 23,017 |
| Total Non-Operating Cash Disbursements | <u>115,461</u> |
| Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances | 549,224 |
| Transfers-In | 135,917 |
| Transfers-Out | (117,872) |
| Advances-Out | (120,148) |
| Net Receipts Over/(Under) Disbursements | 447,121 |
| Fund Cash Balances, January 1 | <u>153,370</u> |
| Fund Cash Balances, December 31 | <u><u>\$600,491</u></u> |
| Reserve for Encumbrances, December 31 | <u><u>\$377</u></u> |

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, 2010 AND 2009**

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 Leesburg, Highland County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, water and sewer utilities, garbage collection, and police services.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

The Village values the certificate of deposit at cost. The Village pools the cash deposits for investment purposes to capture the highest rate of return.

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 Fund:

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, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

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

Sewer Debt Service - This fund is used to accumulate resources for retirement of loans issued to fund improvements to the Village's wastewater treatment 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 issued to fund improvements to the Village's water 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 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 canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2010 and 2009 budgetary activity appears in Note 3.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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 and Investments

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

| | 2010 | 2009 |
|-------------------------|-------------|-------------|
| Demand deposits | \$1,398,178 | \$1,294,654 |
| Certificates of deposit | 63,451 | 61,815 |
| Total deposits | \$1,461,629 | \$1,356,469 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation; collateralized by securities specifically pledged by the financial institution to the Village; or collateralized by the financial institution's public entity deposit pool.

3. Budgetary Activity

Budgetary activity for the years ending December 31st follows:

| 2010 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$703,251 | \$702,243 | (\$1,008) |
| Special Revenue | 65,185 | 65,185 | 0 |
| Enterprise | 1,089,130 | 1,171,847 | 82,717 |
| Total | \$1,857,566 | \$1,939,275 | \$81,709 |

| 2010 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$645,329 | \$582,315 | \$63,014 |
| Special Revenue | 82,655 | 73,638 | 9,017 |
| Capital Projects | 4,478 | 0 | 4,478 |
| Enterprise | 1,313,444 | 1,181,578 | 131,866 |
| Total | \$2,045,906 | \$1,837,531 | \$208,375 |

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

3. Budgetary Activity (Continued)

| 2009 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|-----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$432,117 | \$586,044 | \$153,927 |
| Special Revenue | 88,686 | 90,231 | 1,545 |
| Enterprise | 905,477 | 1,230,801 | 325,324 |
| Total | \$1,426,280 | \$1,907,076 | \$480,796 |

| 2009 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$543,155 | \$439,950 | \$103,205 |
| Special Revenue | 100,566 | 89,043 | 11,523 |
| Capital Projects | 4,478 | 0 | 4,478 |
| Enterprise | 891,016 | 784,057 | 106,959 |
| Total | \$1,539,215 | \$1,313,050 | \$226,165 |

Contrary to Ohio law, appropriation authority exceeded estimated resources in the Sewer Capital Improvement fund by \$62,062 for the year ended December 31, 2010.

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. Local Income Tax

The Village levies a municipal income tax of one percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt

Debt outstanding at December 31, 2010 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|--------------------|----------------------|
| Sewer System Improvement Loan | \$242,000 | 5.00% |
| Water System Improvement Loan | 77,900 | 6.00% |
| Ohio Public Works Commission (OPWC) Loans | 563,711 | 0.00% |
| Ohio Water Development Authority (OWDA) Loan | 12,360 | 6.56% |
| Ohio Water Development Authority (OWDA) Loan | 2,752,832 | 1.50% |
| Ohio Water Development Authority (OWDA) Loan | 143,641 | 1.50% |
| Total | <u>\$3,792,444</u> | |

The Sewer System Improvement Loan was issued in 1979 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 System Improvement Loan was issued in 1986 to finance an improvement project on the Village's water plant. The bonds are being retired over a period of 40 years, paid from sewer system revenues.

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 2005, the Village entered into an OWDA Construction Loan for a wastewater treatment plant expansion and upgrade. The loan will be repaid from sewer system revenues, over a period of 30 years.

During 2010, the Village entered into an OWDA Construction Loan for a water well project. Disbursements to date are \$143,977. This project is not finished and no repayments have been made. Repayment will be made over a period of 30 years from water system revenues. As no amortization schedule has been prepared, this loan is not included in the table below.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(Continued)**

6. Debt (Continued)

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

| Year ending December 31: | Water/Sewer Improvement Loans | OPWC Loans | OWDA Loans |
|--------------------------|-------------------------------------|------------------|--------------------|
| 2011 | \$41,824 | \$45,747 | \$130,584 |
| 2012 | 41,744 | 45,747 | 117,414 |
| 2013 | 41,602 | 45,747 | 117,414 |
| 2014 | 42,398 | 45,747 | 117,414 |
| 2015 | 42,082 | 45,747 | 117,414 |
| 2016-2020 | 174,022 | 167,736 | 587,068 |
| 2021-2025 | 38,638 | 147,238 | 573,560 |
| 2026-2030 | 7,738 | 20,000 | 587,068 |
| 2030-2035 | | | 587,068 |
| 2036-2040 | | | 469,655 |
| Total | <u>\$430,048</u> | <u>\$563,709</u> | <u>\$3,404,659</u> |

7. Retirement Systems

The Village's full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2010 and 2009, OP&F participants contributed 10% of their wages. For 2010 and 2009, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2010 and 2009, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2010.

8. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



Dave Yost • 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 Leesburg
Highland County
57 South Fairfield Street
Leesburg, Ohio 45135

To the Village Council:

We have audited the financial statements of Village of Leesburg, Highland County, Ohio (the Village), as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated January 25, 2012, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits 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 Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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 combination of deficiencies in internal control such that there is a reasonable possibility that material financial statement misstatements will not be prevented, or detected and timely corrected.

Our consideration of 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 internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 or other matters we must report under *Government Auditing Standards* which

are described in the accompanying schedule of findings as items 2010-02 thru 2010-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated January 25, 2012.

The Village's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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



Dave Yost
Auditor of State

January 25, 2012

**VILLAGE OF LEESBURG
HIGHLAND COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2010 AND 2009**

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| FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
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FINDING NUMBER 2010-01

Significant Deficiency

Ohio Administrative Code section 117-2-02 requires all public officials to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Village lacked management oversight in the proper reporting of tax, miscellaneous and intergovernmental receipts, and proceeds of debt on the financial statements. This lack of oversight is illustrated by the following:

- Real Estate taxes reported as miscellaneous receipts instead of taxes resulting in reclassifications of \$15,266 in 2009 and \$15,103 in 2010 in the General fund.
- Proceeds of debt were reported as special assessments resulting in a reclassification of \$136,806 in the Water Capital Improvement fund in 2010.
- Proceeds of debt were reported in General fund instead of the Water Capital Improvement fund during 2010 resulting in an adjustment of \$1,008.
- The receipts and disbursements of Ohio Public Works Commission and Ohio Water Development Authority funds spent on behalf of the Village were not recorded during 2010 in the amount of \$81,406.

Audit adjustments were made to the Village's financial statements and accounting records to properly account for the above errors.

Failure to accurately post and report transactions could result in material errors in the Village's financial statements and reduces the Village's ability and the ability of individual departments within the Village to monitor financial activity and to make sound decisions which effect the overall available cash position of the Village. We recommend officials review the chart of accounts to assure that items are being posted to the proper account codes.

Officials' Response:

As the Village Fiscal Officer, I was not aware that I needed to bring the loan money through my financials even though I did not physically receive the cash. This will be noted for any projects in the future.

FINDING NUMBER 2010-02

Noncompliance

Ohio Rev. Code, Section 5705.39, provides, in part, that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission on the official certificate of estimated resources. During 2010, original appropriations exceeded the original estimated resources in the Water Improvement Fund in the amount of \$62,062.

The management of the Village should monitor the budgetary receipts and expenditures. By regularly reviewing the budgetary documents throughout the year, the Village will be better able to determine when amendments need to be made to original budgeted receipts thus avoiding negative fund/account code balances, and will be better prepared for making decisions which effect the overall cash position of the Village.

Officials' Response:

Officials did not respond to this finding.

FINDING NUMBER 2010-03

Noncompliance

Ohio Rev. Code, Section 5705.41(D)(1), requires that 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 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. This certificate need be signed only by the subdivision's fiscal officer. Every 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 standard 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, 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 that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that 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 Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of 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 Village.

**FINDING NUMBER 2010-03
(Continued)**

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 Village 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 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.

The availability of funds was not certified prior to the time of commitment in 12% (3/25) of expenditures tested nor did the Village use the aforementioned exceptions. Every effort should be made by the Village to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly encumber could result in overspending funds and negative cash fund balances.

Unless the Village uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Village. When prior certification is not possible, “then and now” certification should be used.

We recommend the Village certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Officials did not respond to this finding.

FINDING NUMBER 2010-04

Noncompliance

Finding for Recovery

Ohio Rev. Code, § 9.39, states all “public officials are liable for all public money received or collected by them or by their subordinates under color of office.” The term “public official” is defined in Ohio Revised Code Section 117.01(E) as “any officer, employee, or duly authorized representative or agent of a public office.” Additionally, Ohio Revised Code 117.01(C) defines “public money” as “as money received, collected by, or due a public official under color of office, as well as any money collected by an individual on behalf of a public officer or as a purported representative or agent of the public office.” Finally, the term “color of office,” defined in Ohio Revised Code Section 117.01(A), “means actually, purportedly, or allegedly done under any law, ordinance, resolution, order or other pretension to official right, power, or authority.”

**FINDING NUMBER 2010-04
(Continued)**

In *Seward v. National Surety Co.*, 120 Ohio St. 47 49-51 (1929), the Court held when public funds come into the hands of the public official or employee under color of office, the public official or employee will be held personally liable for the missing funds.

We examined evidence room inventory records maintained by the Village of Leesburg police department. Upon completion, it was noted that \$2,841 was missing from the evidence room.

During the audit period, Corporal Duane Bussey was the investigator and the evidence room clerk until his resignation in October of 2010. In November of 2010, the Village appointed Officer David Boris as the evidence room clerk and he began conducting an inventory of the evidence room immediately. Officer Boris noticed several envelopes were missing cash and reported this discovery to Chief Tyree right away. Chief Tyree instructed Officer Boris to stop his inventory of the evidence room until the completion of his evidence room training. Officer Boris completed his evidence room training in January 2011 and completed his inventory of the evidence room. Upon completion of the inventory, a total of \$2,841 was noted as missing from the evidence room. During this time only Police Chief Tyree, Officer Duane Bussey and Officer David Boris had access and keys to the evidence room.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public property converted or misappropriated is hereby issued against Officer Duane Bussey, former Village Police Officer and Evidence Room Clerk and the Cincinnati Insurance Company, his bonding company, jointly and severally, in the amount of \$2,841 and in favor of the Village of Leesburg Police Department.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made, is liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att'y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 19 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such fund or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property, 1980 Op. Att'y Gen. No. 80-074.

Therefore, because Police Chief, Timothy Tyree, the public official with responsibility over the evidence room and both evidence room clerks, Chief Tyree and his bonding company, the Cincinnati Insurance Company, are jointly and severally liable in the amount of \$2,841 in favor of the Village of Leesburg's Police Department.

Timothy Tyree will only be liable to the extent that payment is not received from Duane Bussey.

The Village of Leesburg Police Department has implemented policies as of July 23, 2011 for both the Handling of Property and Evidence Control. However, neither of these policies has procedures for a regular inventory to be done of the evidence room. This increases the risk of property being misappropriated or stolen.

We recommend that a policy be established for regular and timely inventories be taken of the evidence room.

Officials' Response:

Officials did not respond to this finding.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2010 AND 2009**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|---|------------------|--|
| 2008-001 | ORC 5705.36(A)(4), obtaining a reduced amended certificate. | Yes | |
| 2008-002 | 5705.39, total appropriations exceeded total estimated resources. | No | Repeated as Finding Number 2010-02. |
| 2008-003 | 5705.41(B), expenditures exceeded appropriations. | No | Partially corrected. Reported in the management letter for the current audit. |

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Dave Yost • 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
JUNE 12, 2012