

VILLAGE OF LEIPSIC
PUTNAM COUNTY
FINANCIAL STATEMENTS
Years Ended December 31, 2011



Dave Yost • Auditor of State

Village Council
Village of Leipsic
142 E. Main Street
Leipsic, Ohio 45856

We have reviewed the *Independent Auditor's Report* of the Village of Leipsic, Putnam County, prepared by Steyer & Co., for the audit period January 1, 2011 through December 31, 2011. 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.

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 Leipsic is responsible for compliance with these laws and regulations.

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

Dave Yost
Auditor of State

November 27, 2012

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INDEPENDENT AUDITOR'S REPORT

Village of Leipsic
Putnam County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. 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.

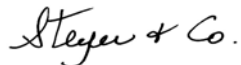
As described in Note 2 to the financial statements, the Village prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio, as of December 31, 2011, and the respective changes in financial position – cash basis and the respective budgetary comparison for the General Fund and Fire Fund, thereof for the year then ended in conformity with the basis of accounting described in Note 2.

The accompanying financial statements have been prepared assuming the Village will continue as a going concern. As discussed in Note 19 of the financial statements, the Village has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. In addition, the Auditor of State declared the Village in fiscal emergency on September 16, 2010, and a financial planning and supervision commission has assumed certain management responsibilities for the duration of the emergency pursuant to Chapter 118 of the Ohio Rev. Code. Note 19 of the financial statements, describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



STEYER & CO.
Certified Public Accountants
Defiance, Ohio
June 22, 2012

VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

This discussion and analysis of the Village of Leipsic's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2011, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

Highlights

Key highlights for 2011 are as follows:

Net assets of governmental activities increased \$2,623,336, or 812%, from the prior year. The fund most affected by the increase in cash and cash equivalents was the Capital Projects Wastewater Fund, which had a large increase due to private donation received for the wastewater plant expansion.

The Village's general receipts, other than the issuance of notes, are primarily municipal income taxes. These receipts represent 37% of the total cash received for governmental activities during the year. Income tax receipts for 2011 increased 32% compared to 2010 indicative of increased earnings within the Village of Leipsic.

The Water Fund, the Wastewater Fund, the Wastewater Debt Fund, and the Reservoir Debt Fund, the Village of Leipsic's major business-type activities, realized changes in net assets of an increase of 178%, a decrease of 98%, an increase of 113%, and an increase of 74%, respectively. The majority of these changes are due to increases in operating receipts, intergovernmental receipts, and contractual services, with decrease in capital outlay, and bonds issued.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Village's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Village as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Village as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Village has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Village's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Government as a Whole

This annual report includes all activities for which the Village is fiscally responsible. These activities, defined as the Village's reporting entity, are operated within separate entities that make up the primary government. The primary government consists of the Village.

The statement of net assets and the statement of activities reflect how the Village did financially during 2011, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

These statements report the Village's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Village's financial health. Over time, increases or decreases in the Village's cash position is one indicator of whether the Village's financial health is improving or deteriorating. When evaluating the Village's financial condition, you should also consider other non-financial factors as well such as the Village's property tax base, the condition of the Village's capital assets and infrastructure, the extent of the Village's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, we divide the Village into two types of activities:

Governmental activities. Most of the Village's basic services are reported here, including police, fire, streets and parks. State grants, income and property taxes, and the issuance of notes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. The Village has four business-type activities, the provision of water, sewer, railroad, and reservoir. Business-type activities are financed by a fee charged to the customers receiving the service.

Reporting the Village's Most Significant Funds

Fund financial statements provide detailed information about the Village's major funds - not the Village as a whole. The Village establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Village are split into two categories: governmental and proprietary.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Fire Fund, Capital Projects – WWTP and Blighted Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Proprietary Funds – When the Village charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The Village has four major enterprise funds, the Water Fund, the Wastewater Fund, Wastewater Debt Fund, and Reservoir Debt Fund. When the services are provided to other departments of the Village, the service is reported as an internal service fund. The Village has no internal service funds.

The Village as a Whole

Table 1 provides a summary of the Village's net assets for 2011 compared to 2010 on a cash basis:

(Table 1)
Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Assets						
Cash & cash equivalents	\$ 2,300,191	\$ 13,100	\$ 1,348,033	\$ 663,297	\$ 3,648,224	\$ 676,397
Total Assets	<u>\$ 2,300,191</u>	<u>\$ 13,100</u>	<u>\$ 1,348,033</u>	<u>\$ 663,297</u>	<u>\$ 3,648,224</u>	<u>\$ 676,397</u>
Net Assets						
Unrestricted	\$ -	\$ -	\$ 1,348,033	\$ 663,297	\$ 1,348,033	\$ 663,297
Restricted for:						
Capital projects	2,009,476	-	-	-	2,009,476	-
Other purposes	290,715	13,100	-	-	290,715	13,100
Total Net Assets	<u>\$ 2,300,191</u>	<u>\$ 13,100</u>	<u>\$ 1,348,033</u>	<u>\$ 663,297</u>	<u>\$ 3,648,224</u>	<u>\$ 676,397</u>

As mentioned previously, net assets of governmental activities increased \$2,623,336 or 812% during 2011. The primary reasons contributing to the increases in cash balances are as follows:

- The Village did a better job of anticipating revenues and controlling expenditures.
- The Village received private donation for the wastewater treatment plant.

Table 2 reflects the changes in net assets on a cash basis in 2011 and 2010 for governmental activities, business-type activities, and total primary government.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

(Table 2)
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
RECEIPTS:						
PROGRAM RECEIPTS:						
Charges for services and sales	\$ 51,895	\$ 73,638	\$ 1,785,282	\$ 1,815,209	\$1,837,177	\$1,888,847
Capital grants and contributions	<u>85,384</u>	<u>453,824</u>	<u>-</u>	<u>-</u>	<u>85,384</u>	<u>453,824</u>
Total program receipts	<u>137,279</u>	<u>527,462</u>	<u>1,785,282</u>	<u>1,815,209</u>	<u>1,922,561</u>	<u>2,342,671</u>
GENERAL RECEIPTS:						
Property and other local taxes	235,070	291,311	363,908	290,779	598,978	582,090
Income taxes	2,311,140	1,755,725	-	-	2,311,140	1,755,725
Grants and entitlements not restricted to specific programs	197,938	267,307	-	-	197,938	267,307
Special assessments	-	495,338	-	-	-	495,338
Private donation	2,153,925	-	-	-	2,153,925	-
Sale of capital assets	75,000	8,488	-	-	75,000	8,488
Insurance settlement	-	49,148	-	30,000	-	79,148
Notes issued	802,500	575,000	82,205	125,498	884,705	700,498
Fines, licenses and permits	10,842	9,790	10,454	8,382	21,296	18,172
Interest	69	86	527	343	596	429
Miscellaneous	<u>186,624</u>	<u>57,238</u>	<u>11,800</u>	<u>6,334</u>	<u>198,424</u>	<u>63,572</u>
Total general receipts	<u>5,973,108</u>	<u>3,509,431</u>	<u>468,894</u>	<u>461,336</u>	<u>6,442,002</u>	<u>3,970,767</u>
Total receipts	<u>6,110,387</u>	<u>4,036,893</u>	<u>2,254,176</u>	<u>2,276,545</u>	<u>8,364,563</u>	<u>6,313,438</u>
DISBURSEMENTS:						
General government	183,476	499,075	-	-	183,476	499,075
Security of persons and property	319,465	352,915	-	-	319,465	352,915
Public health services	1,019	1,019	-	-	1,019	1,019
Leisure time activities	103,810	153,511	-	-	103,810	153,511
Community environment	6,212	169,211	-	-	6,212	169,211
Basic utility services	864	-	-	-	864	-
Transportation	209,077	206,433	362	783	209,439	207,216
Contractual services	241,302	99,263	475,775	445,335	717,077	544,598
Supplies and materials	-	-	130,660	130,950	130,660	130,950
Capital outlay	64,473	406,877	18,900	254,579	83,373	661,456
Debt service:						
Redemption of principal	1,366,217	1,106,000	844,988	945,953	2,211,205	2,051,953
Interest and other fiscal charges	47,386	26,808	860,084	521,847	907,470	548,655
Personal services	<u>-</u>	<u>-</u>	<u>518,666</u>	<u>523,475</u>	<u>518,666</u>	<u>523,475</u>
Total disbursements	<u>2,543,301</u>	<u>3,021,112</u>	<u>2,849,435</u>	<u>2,822,922</u>	<u>5,392,736</u>	<u>5,844,034</u>
Excess (deficiency) before transfers	3,567,086	1,015,781	(595,259)	(546,377)	2,971,827	469,404
Advances	(336,245)	336,245	336,245	(336,245)	-	-
Transfers	<u>(943,750)</u>	<u>(996,662)</u>	<u>943,750</u>	<u>996,662</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	2,287,091	355,364	684,736	114,040	2,971,827	469,404
Net assets, January 1, 2011	13,100	(342,264)	663,297	549,257	676,397	206,993
Net assets, December 31, 2011	<u>\$ 2,300,191</u>	<u>\$ 13,100</u>	<u>\$ 1,348,033</u>	<u>\$ 663,297</u>	<u>\$3,648,224</u>	<u>\$ 676,397</u>

VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED

Program receipts represent 23% of total receipts and are primarily comprised of water and sewer user fees. Intergovernmental receipts such as state grants as well as EMS rent and shelter house rent are also included in program receipts.

General receipts represent 77% of the Village's total receipts, and of this amount, 13% are from the issuance of notes, 36% are for capital outlay, and 39% are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Village and the support services provided for the other Village activities. These include the costs of council, mayor, administrator, solicitor, fiscal officer, and community environment departments, as well as internal services such as payroll and purchasing.

Security of Persons and Property are the costs of police and fire protection; Leisure Time Activities are the costs of maintaining the pool and parks; the community environment promotes the Village to industry and commerce as well as working with other governments in the area to attract new business; and Transportation is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for redemption of principal on debt service, security of persons and property, and contractual services, which account for 54%, 13% and 9% of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)
Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General government	\$ 183,476	\$ 148,556	\$ 495,080	\$ 284,493
Security of persons and property	319,465	304,465	352,915	337,915
Public health services	1,019	(781)	1,019	(2,581)
Leisure time activities	103,810	103,635	82,925	59,266
Community environment	6,212	6,212	125,771	18,994
Basic utility services	864	864	-	-
Transportation	209,077	209,077	206,433	206,433
Contractual services	241,302	241,302	99,263	99,263
Capital outlay	64,473	(20,911)	524,898	357,059
Redemption of principal	1,366,217	1,366,217	1,106,000	1,106,000
Interest and other fiscal charges	47,386	47,386	26,808	26,808
Total expenses	\$ 2,543,301	\$ 2,406,022	\$ 3,021,112	\$ 2,493,650

The dependence upon property and income tax receipts is apparent as over 99% of governmental activities are supported through these general receipts.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Business-Type Activities

The Village of Leipsic has four major business-type activities, the provision of water, sewer, railroad, and reservoir, which are accounted for in the Water Fund, Water Debt Fund, Wastewater Fund, Wastewater Debt Fund, Railroad Fund, Railroad Debt Fund, Reservoir Fund, and Reservoir Debt Fund. Charges for services support 53% and capital grants and contributions support 0% of the business-type activity disbursements.

The Government's Funds

Total governmental funds had receipts and other financing sources of \$8,117,287 and disbursements and other financing uses of \$5,830,196. The greatest change within governmental funds occurred within the Capital Projects-WWTP Fund. The fund balance of the Capital Project-WWTP Fund increased \$1,539,014 due to the \$2,153,925 private donation received from a user of the wastewater treatment facility. This donation was obtained based on engineering studies that determined the portion of the expansion attributed to this company.

Other Governmental Funds receipts were greater than disbursements by \$122,522, indicating that these funds are in a surplus spending situation. Management feels that spending is acceptable based upon the fund balance but will continue to look for cost cutting measures as personal property tax and intergovernmental revenues are expected to decrease in the future.

General Fund Budgeting Highlights

The Village's budget is prepared according to Ohio law and the Village of Leipsic Charter and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2011, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts and other financing sources were decreased from the original budgeted receipts. Actual receipts were \$1,624,049 higher than budgeted, mostly due to the increase of income tax income.

Final disbursements and other financing uses were budgeted at \$4,315,105 while actual disbursements were \$4,587,146. The overall result was a decrease in fund balance of \$25,921 for 2011.

Capital Assets and Debt Administration

Capital Assets

The Village does not currently keep track of its capital assets and infrastructure in the accompanying financial statements, but records payments for capital assets as disbursements.

Debt

At December 31, 2011, the Village's outstanding debt included \$13,042,934 in Ohio Water Development Authority (OWDA) loans for acquisition and improvements to wastewater facilities, \$207,353 in Ohio Public Works Commission (OPWC) loans for improvements to sewer utility services, \$238,283 in a bank loan, \$514,362 in a Ohio Rail Development Commission loan for construction of rail line, \$1,275,000 for water system improvements bonds, and \$1,986,000 for a waterworks system mortgage revenue bond. For further information regarding the Village's debt, refer to Note 12 in the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2011
UNAUDITED**

Current Issues

The challenge for all villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village of Leipsic is constantly looking at ways to cut costs without cutting services.

The Village has been in fiscal emergency since September 16, 2010. Expenses were cut and revenues increased to allow for most deficits to be corrected in 2011.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Village's finances and to reflect the Village's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Renee Spangler, Fiscal Officer, Village of Leipsic, 142 E. Main Street, Leipsic, Ohio 45856.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
December 31, 2011**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash and cash equivalents	<u>\$ 2,300,191</u>	<u>\$ 1,348,033</u>	<u>\$ 3,648,224</u>
Total assets	<u>\$ 2,300,191</u>	<u>\$ 1,348,033</u>	<u>\$ 3,648,224</u>
 NET ASSETS			
Restricted for:			
Capital projects	\$ 2,009,476	\$ -	\$ 2,009,476
Other purposes	290,715	-	290,715
Unrestricted	-	<u>1,348,033</u>	<u>1,348,033</u>
Total net assets	<u>\$ 2,300,191</u>	<u>\$ 1,348,033</u>	<u>\$ 3,648,224</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
For The Year Ended December 31, 2011**

	Program Cash Receipts			Net (Disbursements) Receipts & Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES						
General government	\$ 183,476	\$ 34,920	\$ -	\$ (148,556)	\$ -	\$ (148,556)
Security of persons and property	319,465	15,000	-	(304,465)	-	(304,465)
Public health services	1,019	1,800	-	781	-	781
Leisure time activities	103,810	175	-	(103,635)	-	(103,635)
Community environment	6,212	-	-	(6,212)	-	(6,212)
Basic utility services	864	-	-	(864)	-	(864)
Transportation	209,077	-	-	(209,077)	-	(209,077)
Contractual services	241,302	-	-	(241,302)	-	(241,302)
Capital outlay	64,473	-	85,384	20,911	-	20,911
Debt service:				-	-	-
Redemption of principal	1,366,217	-	-	(1,366,217)	-	(1,366,217)
Interest and other fiscal changes	<u>47,386</u>	<u>-</u>	<u>-</u>	<u>(47,386)</u>	<u>-</u>	<u>(47,386)</u>
Total governmental activities	<u>2,543,301</u>	<u>51,895</u>	<u>85,384</u>	<u>(2,406,022)</u>	<u>-</u>	<u>(2,406,022)</u>
BUSINESS-TYPE ACTIVITIES						
Water	912,699	707,896	-	-	(204,803)	(204,803)
Wastewater	976,188	705,150	-	-	(271,038)	(271,038)
Railroad	154,923	259,288	-	-	104,365	104,365
Reservoir	<u>805,625</u>	<u>112,948</u>	<u>-</u>	<u>-</u>	<u>(692,677)</u>	<u>(692,677)</u>
Total business-type activities	<u>2,849,435</u>	<u>1,785,282</u>	<u>-</u>	<u>-</u>	<u>(1,064,153)</u>	<u>(1,064,153)</u>
Total	<u>\$ 5,392,736</u>	<u>\$ 1,837,177</u>	<u>\$ 85,384</u>	<u>\$ (2,406,022)</u>	<u>\$ (1,064,153)</u>	<u>\$ (3,470,175)</u>
GENERAL RECEIPTS						
Property taxes levied for general purposes				\$ 235,070	\$ 363,908	\$ 598,978
Municipal income taxes				2,311,140	-	2,311,140
Grants & entitlements not restricted to specific programs				197,938	-	197,938
Private donation				2,153,925	-	2,153,925
Sale of capital assets				75,000	-	75,000
Notes issued				802,500	82,205	884,705
Fines, licenses and permits				10,842	10,454	21,296
Interest				69	527	596
Miscellaneous				<u>186,624</u>	<u>11,800</u>	<u>198,424</u>
Total General Receipts				5,973,108	468,894	6,442,002
Advances				(336,245)	336,245	-
Transfers				<u>(943,750)</u>	<u>943,750</u>	<u>-</u>
Total General Receipts & Transfers				<u>4,693,113</u>	<u>1,748,889</u>	<u>6,442,002</u>
Change in Net Assets				2,287,091	684,736	2,971,827
Net Assets Beginning of Year				<u>13,100</u>	<u>663,297</u>	<u>676,397</u>
Net Assets End of Year				<u>\$ 2,300,191</u>	<u>\$ 1,348,033</u>	<u>\$ 3,648,224</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
December 31, 2011**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects- WWPT Fund</u>	<u>Blighted Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Equity in pooled cash and cash equivalents	\$ -	\$ 274,098	\$ 1,539,014	\$ 351,598	\$ 135,481	\$ 2,300,191
Total assets	<u>\$ -</u>	<u>\$ 274,098</u>	<u>\$ 1,539,014</u>	<u>\$ 351,598</u>	<u>\$ 135,481</u>	<u>\$ 2,300,191</u>
FUND BALANCES						
Restricted	\$ -	\$ 274,098	\$ 1,539,014	\$ 351,598	\$ 135,481	\$ 2,300,191
Assigned	25,921	-	-	-	-	25,921
Unassigned	(25,921)	-	-	-	-	(25,921)
Total fund balances	<u>-</u>	<u>274,098</u>	<u>1,539,014</u>	<u>351,598</u>	<u>135,481</u>	<u>2,300,191</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 274,098</u>	<u>\$ 1,539,014</u>	<u>\$ 351,598</u>	<u>\$ 135,481</u>	<u>\$ 2,300,191</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects- WWTP Fund</u>	<u>Blighted Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
RECEIPTS						
Municipal income taxes	\$ 2,311,140	\$ -	\$ -	\$ -	\$ -	\$ 2,311,140
Property and other local taxes	169,639	65,431	-	-	-	235,070
Charges for services	16,975	23,085	-	-	11,835	51,895
Fines, licenses and permits	10,377	-	-	-	465	10,842
Intergovernmental	69,709	4,237	-	-	209,376	283,322
Interest	-	31	-	6	32	69
Miscellaneous	40,405	-	-	-	146,219	186,624
Total receipts	<u>2,618,245</u>	<u>92,784</u>	<u>-</u>	<u>6</u>	<u>367,927</u>	<u>3,078,962</u>
DISBURSEMENTS						
Current:						
General governmental	183,476	-	-	-	-	183,476
Security of persons and property	268,395	50,850	-	-	220	319,465
Public health services	1,019	-	-	-	-	1,019
Leisure time activities	103,810	-	-	-	-	103,810
Community environment	6,212	-	-	-	-	6,212
Basic utility services	-	-	-	-	864	864
Transportation	-	-	-	-	209,077	209,077
Contractual services	-	-	225,241	5	16,056	241,302
Capital outlay	20,771	14,887	-	-	28,815	64,473
Debt service:						
Redemption of principal	1,366,217	-	-	-	-	1,366,217
Interest and other fiscal charges	47,386	-	-	-	-	47,386
Total disbursements	<u>1,997,286</u>	<u>65,737</u>	<u>225,241</u>	<u>5</u>	<u>255,032</u>	<u>2,543,301</u>
Excess of receipts over (under) disbursements	<u>620,959</u>	<u>27,047</u>	<u>(225,241)</u>	<u>1</u>	<u>112,895</u>	<u>535,661</u>
OTHER FINANCING SOURCES (USES)						
Sale of capital assets	-	-	-	-	75,000	75,000
Notes issued	802,500	-	-	-	-	802,500
Private donation	-	-	2,153,925	-	-	2,153,925
Advance in	389,670	246,910	-	282,457	-	919,037
Advance out	(532,325)	-	(389,670)	-	(333,287)	(1,255,282)
Transfers in	750,809	-	-	69,140	267,914	1,087,863
Transfers out	<u>(2,031,613)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,031,613)</u>
Total other financing sources (uses)	<u>(620,959)</u>	<u>246,910</u>	<u>1,764,255</u>	<u>351,597</u>	<u>9,627</u>	<u>1,751,430</u>
Net change in fund balances	-	273,957	1,539,014	351,598	122,522	2,287,091
Fund balances beginning of year	-	141	-	-	12,959	13,100
Fund balances end of year	<u>\$ -</u>	<u>\$ 274,098</u>	<u>\$ 1,539,014</u>	<u>\$ 351,598</u>	<u>\$ 135,481</u>	<u>\$ 2,300,191</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND**

For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
RECEIPTS				
Municipal income taxes	\$ 1,650,000	\$ 1,057,488	\$ 2,311,140	\$ 1,253,652
Property and other local taxes	200,400	105,513	106,025	512
Charges for services	42,000	18,950	16,975	(1,975)
Fines, licenses and permits	15,700	8,800	10,377	1,577
Intergovernmental	89,200	143,600	133,324	(10,276)
Special assessments	535,260	-	-	-
Interest	-	200	-	(200)
Miscellaneous	85,700	20,052	40,405	20,353
Total receipts	2,618,260	1,354,603	2,618,246	1,263,643
DISBURSEMENTS				
Current:				
General governmental	336,610	277,866	184,842	93,024
Security of persons and property	319,300	303,530	270,454	33,076
Public health services	2,000	1,070	1,019	51
Leisure time activities	83,300	120,988	103,881	17,107
Community environment	22,000	6,372	6,638	(266)
Capital outlay	26,000	53,700	42,771	10,929
Debt service:				
Redemption of principal	575,000	1,519,965	1,366,217	153,748
Interest and other fiscal charges	25,000	-	47,386	(47,386)
Total disbursements	1,389,210	2,283,491	2,023,208	260,283
Excess of receipts over (under) disbursements	1,229,050	(928,888)	595,038	1,523,926
OTHER FINANCING SOURCES (USES)				
Notes issued	-	802,500	802,500	-
Advance in	-	-	389,670	389,670
Advance out	-	-	(532,325)	(532,325)
Transfers in	430,500	780,073	750,809	(29,264)
Transfers out	(1,593,000)	(2,029,954)	(2,031,613)	(1,659)
Other financing uses	(12,000)	(1,660)	-	1,660
Total other financing sources (uses)	(1,174,500)	(449,041)	(620,959)	(171,918)
Net change in fund balance	54,550	(1,377,929)	(25,921)	1,352,008
Fund balance beginning of year	(5,238)	(5,238)	(5,238)	-
Prior year encumbrances appropriated	5,238	5,238	5,238	-
Fund balance end of year	\$ 54,550	\$ (1,377,929)	\$ (25,921)	\$ 1,352,008

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE FUND**

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
RECEIPTS				
Property and other local taxes	\$ 78,150	\$ 38,027	\$ 36,492	\$ (1,535)
Charges for services	30,000	40,527	23,085	(17,442)
Intergovernmental	4,000	50,145	33,176	(16,969)
Interest		-	31	31
Miscellaneous	<u>1,100</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>113,250</u>	<u>128,699</u>	<u>92,784</u>	<u>(35,915)</u>
DISBURSEMENTS				
Current:				
Security of persons and property	74,600	67,173	57,719	9,454
Capital outlay	<u>-</u>	<u>15,000</u>	<u>14,887</u>	<u>113</u>
Total disbursements	74,600	82,173	72,606	9,567
Excess of receipts over (under) disbursements	<u>38,650</u>	<u>46,526</u>	<u>20,178</u>	<u>(26,348)</u>
OTHER FINANCING SOURCES (USES)				
Advances in	<u>-</u>	<u>-</u>	<u>246,910</u>	<u>246,910</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>246,910</u>	<u>246,910</u>
Net change in fund balance	38,650	46,526	267,088	220,562
Fund balance beginning of year	-	-	-	-
Prior year encumbrances appropriated	<u>141</u>	<u>141</u>	<u>141</u>	<u>-</u>
Fund balance end of year	<u>\$ 38,791</u>	<u>\$ 46,667</u>	<u>\$ 267,229</u>	<u>\$ 220,562</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
December 31, 2011**

	Business-Type Activities				Other Enterprise Funds	Total Enterprise Funds
	Water Fund	Wastewater Fund	Wastewater Debt Fund	Reservoir Debt Fund		
ASSETS						
Equity in pooled cash & cash equivalents	\$ 146,601	\$ 1,060	\$ 11,361	\$ 830,389	\$ 358,622	\$ 1,348,033
Total assets	<u>\$ 146,601</u>	<u>\$ 1,060</u>	<u>\$ 11,361</u>	<u>\$ 830,389</u>	<u>\$ 358,622</u>	<u>\$ 1,348,033</u>
NET ASSETS						
Unrestricted	\$ 146,601	\$ 1,060	\$ 11,361	\$ 830,389	\$ 358,622	\$ 1,348,033
Total liabilities and net assets	<u>\$ 146,601</u>	<u>\$ 1,060</u>	<u>\$ 11,361</u>	<u>\$ 830,389</u>	<u>\$ 358,622</u>	<u>\$ 1,348,033</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS**

For the Year Ended December 31, 2011

	Business-Type Activities					Total Enterprise Funds
	Water Fund	Wastewater Fund	Wastewater Debt Fund	Reservoir Debt Fund	Other Enterprise Funds	
OPERATING RECEIPTS						
Charges for services	\$ 707,896	\$ 705,150	\$ -	\$ -	\$ 372,236	\$ 1,785,282
Fines, license and permits	8,154	2,295	-	-	5	10,454
Miscellaneous	<u>6,037</u>	<u>2,478</u>	-	-	<u>3,285</u>	<u>11,800</u>
Total operating receipts	<u>722,087</u>	<u>709,923</u>	-	-	<u>375,526</u>	<u>1,807,536</u>
OPERATING DISBURSEMENTS						
Personal services	291,932	204,417	-	-	22,317	518,666
Travel transportation	160	202	-	-	-	362
Contractual services	223,702	161,599	-	-	90,474	475,775
Supplies and materials	93,636	31,371	-	-	5,653	130,660
Capital outlay	<u>18,900</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,900</u>
Total operating disbursements	<u>628,330</u>	<u>397,589</u>	-	-	<u>118,444</u>	<u>1,144,363</u>
Operating income (loss)	93,757	312,334	-	-	257,082	663,173
NON-OPERATING RECEIPTS (DISBURSEMENTS)						
Property and other local taxes	-	-	73,895	278,042	11,971	363,908
Notes issued	-	-	-	82,205	-	82,205
Earnings on investments	-	132	-	21	374	527
Other financing uses	-	-	-	-	(146,219)	(146,219)
Principal payments	-	-	(519,762)	(167,973)	(157,253)	(844,988)
Interest and fiscal charges	<u>149</u>	<u>-</u>	<u>(58,837)</u>	<u>(538,418)</u>	<u>(116,759)</u>	<u>(713,865)</u>
Total non-operating receipts (disbursements)	<u>149</u>	<u>132</u>	<u>(504,704)</u>	<u>(346,123)</u>	<u>(407,886)</u>	<u>(1,258,432)</u>
Income (loss) before transfers	93,906	312,466	(504,704)	(346,123)	(150,804)	(595,259)
Advance in	40,019	44,471	-	-	346,822	431,312
Advance out	-	-	(84,490)	-	(10,577)	(95,067)
Transfer in	-	-	600,555	699,073	157,599	1,457,227
Transfer out	<u>-</u>	<u>(355,877)</u>	<u>-</u>	<u>-</u>	<u>(157,600)</u>	<u>(513,477)</u>
Change in net assets	133,925	1,060	11,361	352,950	185,440	684,736
Net assets beginning of year	<u>12,676</u>	<u>-</u>	<u>-</u>	<u>477,439</u>	<u>173,182</u>	<u>663,297</u>
Net assets end of year	<u>\$ 146,601</u>	<u>\$ 1,060</u>	<u>\$ 11,361</u>	<u>\$ 830,389</u>	<u>\$ 358,622</u>	<u>\$ 1,348,033</u>

See accompanying notes to the basic financial statements.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 1 – REPORTING ENTITY

The Village of Leipsic, Putnam County, Ohio (the Village), is a body politic and corporate 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.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads, park operations, police services, and fire services.

B. Component Units

Component units are legally separate organizations for which the Village is financially accountable. The Village is financially accountable for an organization if the Village appoints a voting majority of the organization's governing board and (1) the Village is able to significantly influence the programs or services performed or provided by the organization; or (2) the Village is legally entitled to or can otherwise access the organization's resources; the Village is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Village is obligated for the debt of the organization. The Village is also financially accountable for any organizations that are fiscally dependent on the Village in that the Village approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Village, are accessible to the Village and are significant in amount to the Village. Based on these criteria, the Village has no component units.

C. Public Entity Risk Pools

The Village participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity.

The organization is the Public Entities Pool of Ohio.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

A. Basis of Presentation

The Village's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Village as a whole. These statements include the financial activities of the primary government and distinguish between those activities of the Village that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net assets presents the cash and investment balances, of the governmental and business-type activities of the Village at year end. The statement of activities compares disbursements with program receipts for each of the Village's governmental and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Village is responsible. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function or business-type activity is self-financing on a cash basis or draws from the Village's general receipts.

Fund Financial Statements

During the year, the Village segregates transactions related to certain Village functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Village at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The proprietary fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into two categories, governmental and proprietary.

Government Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village has four major governmental funds which are the General Fund, Fire Fund, and Blighted Fund.

- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- The Fire Fund accounts for activity in the area of security of persons and property.
- The Capital Projects – WWTP Fund for the capital expansion of the Wastewater Treatment Plant.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- The Blighted Fund accounts for the capital expenditures made on properties throughout the Village that are in ruins.

The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as enterprise.

Enterprise Funds – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The Village's major enterprise funds are the Water Fund, Wastewater Fund, Wastewater Debt Fund, and Reservoir Debt Fund.

Water Fund – The water fund accounts for the provision of water services to the residents and commercial users within the Village.

Wastewater Fund – The sanitary sewer fund accounts for the provision of wastewater services to the residents and commercial users within the Village.

Wastewater Debt Fund – The wastewater debt fund accounts for the debt issues relating to the sanitary sewer system.

Reservoir Debt Fund – The reservoir debt fund accounts for the debt issues relating to the reservoir.

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains at the time of sale are recorded receipts.

During 2011, the Village held a non-negotiable certificate of deposit. It is reported at the amount the Village has recorded as of December 31, 2011.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. There were no interest receipts credited to the General Fund during 2011.

F. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for their employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Enabling legislation authorizes the Village to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the Village can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of the Village Council. Those committed amounts cannot be used for any other purpose unless Village Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by Village Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the Village for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Village Council or Village official delegated that authority by ordinance, or by State Statute.

Unassigned – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

L. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

NOTE 3 – CHANGE IN BASIS OF ACCOUNTING

A. Change in accounting principles

For 2011, the Village implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had no effect on the fund balances of the major funds and non-major funds as they were previously reported.

NOTE 4 – COMPLIANCE

A. Compliance

1. Ohio Revised Code § 5705.10(H) states money paid into any fund shall be used only for the purposes for which the fund was established.

The existence of a deficit balance in the general fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. There were twelve instances of deficit fund balances throughout 2011 in amounts ranging from \$362,401 to \$718,377.

2. Ohio Revised Code § 5705.36(A)(4), requires that, upon reasonable determination that revenues collected by the Village will be less than the amount included in an official certificate, the budget commission certify an amended official certificate reflecting the deficiency. An amendment of the official certificate was made, but another one should have been obtained for the deficiencies within four funds.

Appropriations were greater than total receipts in the following funds at year end:

<u>Fund</u>	<u>Unencumbered Fund Balance Plus Actual Receipts</u>	<u>Appropriation</u>	<u>Variance</u>
General	\$ 3,639,000	\$ 4,315,105	\$ (676,105)
Capital Projects- WWTP	2,158,925	4,992,000	(2,838,075)
Wastewater Fund	758,882	955,424	(196,542)
Wastewater Debt Fund	578,599	654,684	(76,085)

3. Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated 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 of any amount due thereon.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 4 – COMPLIANCE (CONTINUED)

This section also provides two “exceptions” to the above requirement:

- a. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$3,000 the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, if such expenditure is otherwise valid.

Three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, the Village had \$20,503 in outstanding purchase commitments at December 31, 2011 that were not certified until 2012. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

4. Ohio Revised Code §117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The annual report was timely filed with the Auditor of State, but as we reviewed the report, we noticed that it was significantly deficient. The report had the Enterprise Debt Funds as governmental activity.

5. Ohio Revised Code §5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditures.

Appropriations exceeded estimated revenues in the following funds at December 31, 2011.

<u>Fund</u>	<u>Resources</u>	<u>Appropriation</u>	<u>Variance</u>
General	\$ 2,404,622	\$ 4,315,105	\$ (1,910,483)
Capital Projects- WWTP	\$ 2,153,925	4,992,000	(2,838,075)
Wastewater Fund	\$ 879,650	955,424	(75,774)

NOTE 5 – BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis presented for the General Fund and Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$25,921 for the General Fund and \$6,869 for the Fire Fund.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6 – DEPOSITS AND INVESTMENTS

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 6 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

At year end, the Village had \$110 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,562,891 of the Village's bank balance of \$3,759,316 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

The Village has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Village or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

NOTE 7 – INCOME TAXES

The Village levies a 1.5% income tax whose proceeds are placed into the Local Income Tax Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or 100% of the 1.5% tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

NOTE 8 – PROPERTY TAXES

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 8 – PROPERTY TAXES (CONTINUED)

The full tax rate for all Village operations for the year ended December 31, 2011, was \$8.35 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property		
Residential/Agricultural	\$	19,927,230
Commercial/Industrial		12,030,460
Public Utilities		64,440
Tangible Personal Property		
Public Utilities		1,981,420
Total Assessed Values	\$	<u>34,003,550</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Village. The County Auditor periodically remits to the Village its portion of the taxes collected.

NOTE 9 – RISK MANAGEMENT

Risk Pool Membership

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Workers' Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2011, PEP retained \$350,000 for casualty claims and \$150,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2010 and 2009 (the latest information available):

	<u>2010</u>	<u>2009</u>
Assets	\$ 34,952,010	\$ 36,374,898
Liabilities	(14,320,812)	(15,256,862)
Net Assets	<u>\$ 20,631,198</u>	<u>\$ 21,118,036</u>

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

At December 31, 2010 and 2009, respectively, the liabilities above include approximately \$12.9 million and \$14.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.4 million and \$13.7 million of unpaid claims to be billed to approximately 454 member governments in the future, as of December 31, 2010 and 2009, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village’s share of these unpaid claims collectible in future years is approximately \$51,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

<u>Contributions to PEP</u>	
2009	\$ 42,360
2010	\$ 35,544
2011	\$ 39,981

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP. They must provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year’s contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

NOTE 10 – DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member-directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member-directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2011, members in state and local classifications contributed 10% of covered payroll.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The Village's contribution rate for 2011 was 14%. For 2011 a portion of the Village's contribution equal to 4% of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14%.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010 and 2009, were \$68,613, \$75,481, and \$99,129, respectively. The full amount has been contributed for 2011, 2010 and 2009.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5% for police officers. Contributions are authorized by State statute. For 2011, a portion of the Village's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment healthcare plan. The Village's contributions to OP&F for police officers were \$24,995 for the year ended December 31, 2011; \$24,798 for the year ended December 31, 2010; and \$27,112 for the year ended December 31, 2009. The full amount has been contributed for 2010 and 2009. Seventy-two percent has been contributed for 2011.

NOTE 11 – POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit postemployment healthcare plan for qualifying members of both the traditional and combined pension plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment healthcare. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for postemployment healthcare coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Healthcare coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide healthcare benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The postemployment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund postemployment healthcare through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postemployment healthcare.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2011, local government employers contributed 14% of covered payroll. Each year the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 4% of covered payroll for 2011.

The retirement board is also authorized to establish rules for the payment of a portion of the healthcare benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment healthcare plan.

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2011, 2010, and 2009 were \$19,603, \$27,467 and \$49,494 respectively. The full amount has been contributed for 2011, 2010 and 2009.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the healthcare plan.

B. Ohio Police and Fire Pension Fund

Plan Description – The Village contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F's postemployment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 17.40% of covered payroll for police and fire employers. The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 11 – POSTEMPLOYMENT BENEFITS (CONTINUED)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For 2011, a portion of the Village's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment healthcare plan. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The Village's contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$8,648 for the year ended December 31, 2011, \$6,968 for the year ended December 31, 2010, and \$9,391 for the year ended December 31, 2009. The full amount has been contributed for 2011, 2010, and 2009.

NOTE 12 – DEBT

The Village's long-term debt activity for the year ended December 31, 2011, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 12-31-10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-11</u>	<u>Due Within 1 Year</u>
Development bond, Series 2007-2	Variable	\$ 327,000	\$ -	\$ 327,000	\$ -	\$ -
Union Bank Company Loan #10220508	3.95%	-	475,500	475,500	-	-
Union Bank Company Loan #10219027	4.50%	475,000	-	475,000	-	-
Fort Jennings State Bank Loan #32978	3.00%	-	327,000	88,717	238,382	108,523
Total Gov. Activities		<u>\$ 802,000</u>	<u>\$ 802,500</u>	<u>\$ 1,366,217</u>	<u>\$ 238,283</u>	<u>\$ 108,523</u>

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 12-31-10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-11</u>	<u>Due Within 1 Year</u>
OWDA #1682	7.89%	\$ 297,920	\$ -	\$ 77,439	\$ 220,481	\$ 40,189
OWDA #2316	4.12%	954,293	-	130,864	823,429	67,461
OWDA #4620	0.00%	4,908,478	-	288,734	4,619,744	144,367
OWDA #5003	5.29%	7,410,049	82,205	112,974	7,379,280	52,975
OPWC #CM725	0.00%	29,789	-	6,619	23,170	6,620
OPWC #CM21B	0.00%	47,662	-	5,296	42,366	5,296
OPWC #CM24D	0.00%	75,240	-	6,840	68,400	6,840
OPWC #CM42M	0.00%	77,386	-	3,969	73,417	3,969
ORDC	Various	634,615	-	120,253	514,362	123,499
Waterworks system mortgage revenue bonds, Series 1997	5.00%	2,023,000	-	37,000	1,986,000	39,000
Water system improvement bond, Series 2007	4.75%	1,330,000	-	55,000	1,275,000	55,000
Total bus-type activities		<u>\$ 17,788,432</u>	<u>\$ 82,205</u>	<u>\$ 844,988</u>	<u>\$ 17,025,649</u>	<u>\$ 545,216</u>

VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE 12 – DEBT (CONTINUED)

The Industrial Development Revenue Bonds, Series 2007, relates to the cost of constructing a natural gas line and an electrical line to the Iron Highway Industrial Park as a part of and in support of the development of an ethanol production facility. The principal amount of the Series 2007-2 bonds was repaid in one installment of \$327,000 plus interest at a variable rate.

The Water System Improvement Bonds, Series 2007, relates to the cost of constructing, installing, and equipping certain water lines. The bonds will be repaid in annual installments of various amounts over 20 years plus interest at 4.75% the first 10 years, 4.5% the next 6 years, and 4.6% the last 4 years.

The Fort Jennings State Bank Loan #32978 was issued to payoff Part B of bond issued for sewer replacement. This loan will be repaid in semi-annual installments of various amounts plus interest at 3%.

The Union Bank Company loan #10220508 was issued to payoff current revenue notes. This loan will be repaid in one annual installment of \$475,000 plus interest at 3.95%.

The Union Bank Company loan #10219027 was issued to payoff the Fort Jennings State Bank loan #69516. This loan was repaid in one annual installment of \$475,000 plus interest at 4.5%.

The Ohio Water Development Authority (OWDA) loan #1682 relates to the acquisition of wastewater treatment and/or water management. The loan will be repaid in semi-annual installments including interest, over 25 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #2316 relates to the wastewater treatment plant improvements. The loan will be repaid in semi-annual installments including interest, over 20 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) 0% loan #4620 relates to the separation of the Village's combined sewer. The loan will be repaid in semi-annual installments over 20 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #5003 relates to the costs of improving the Village's water system by constructing a reservoir. The loan will be repaid in semi-annual installments including interest, over 30 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Public Works Commission (OPWC) 0% loans relate to a sewer replacement project, two street storm sewer projects, and a sanitary sewer separation project. The sewer replacement project loan, the street storm sewer loans, and the sanitary sewer separation project loan will be repaid in semi-annual installments of \$3,310, \$2,648, \$3,420, and \$1,984, respectively, all over 20 years.

The Waterworks System Mortgage Revenue Bonds, Series 1997, relates to the costs of improving the Village waterworks system by acquiring and constructing improvements to and an expansion of the Village's water treatment plant, water storage facilities, and water distribution and supply system and to provide funds to retire outstanding temporary Mortgage Revenue Bonds, Series 1995, of the Village. The bond will be repaid in annual installments of various amounts over 40 years.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 12 – DEBT (CONTINUED)

The Ohio Rail Development Commission loan relates to the construction of new rail tracks and turnouts to the Iron Highway Industrial Park and to commence tri-rail services to the ethanol plant. The loan will be repaid in monthly installments of \$10,577 from July 1, 2009 through December 31, 2010. The next 60 payments will be for \$11,309 including interest.

The following is a summary of the Village's future annual debt service requirements:

Year	OWDA Loans		OPWC Loans		Water System Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 304,992	\$ 451,330	\$ 22,725	\$ -	\$ 55,000	\$ 58,723
2013	630,836	434,229	22,724	-	60,000	56,110
2014	649,710	416,127	22,724	-	60,000	53,260
2015	568,736	396,989	19,414	-	65,000	50,410
2016	745,706	388,866	16,104	-	65,000	47,323
					3850	
2017-2021	2,241,012	1,743,375	69,930	-	385,000	187,400
2022-2026	2,478,866	1,505,521	19,843	-	475,000	92,885
2027-2031	1,777,105	1,196,713	13,889	-	110,000	5,060
2032-2036	1,744,932	795,785	-	-	-	-
2037-2041	1,901,039	275,257	-	-	-	-
Totals	<u>\$13,042,934</u>	<u>\$7,604,192</u>	<u>\$ 207,353</u>	<u>\$ -</u>	<u>\$ 1,275,000</u>	<u>\$ 551,171</u>

Year	Waterworks Bond		Rail Development Note		Bank Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 39,000	\$ 99,300	\$ 123,499	\$ 12,214	\$ 108,523	\$ 6,270
2013	41,000	97,350	126,833	8,880	112,437	2,355
2014	43,000	95,300	130,257	5,456	17,323	43
2015	45,000	93,150	133,773	1,940	-	-
2016	47,000	90,900	-	-	-	-
2017-2021	274,000	416,600	-	-	-	-
2022-2026	349,000	341,100	-	-	-	-
2027-2031	447,000	244,450	-	-	-	-
2032-2036	569,000	121,100	-	-	-	-
2037-2041	132,000	6,600	-	-	-	-
Totals	<u>\$1,986,000</u>	<u>\$1,605,850</u>	<u>\$ 514,362</u>	<u>\$ 28,490</u>	<u>\$ 238,283</u>	<u>\$ 8,668</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2011, were an overall debt margin of \$1,870,195 and an unvoted debt margin of \$3,570,373.

NOTE 13 – LEASES

The Village also acts as a lessor of 5 acres of land in the well field complex. The 5 acres meets the zoning code to accommodate a 250 foot free standing cellular tower. The terms of the lease are for seven 5-year terms for a total of 35 years. The first 5-year term of the lease began in 2006 with an upfront payment received of \$40,000. The other six 5-year terms will be charged \$1.00 per term. The Village will still retain the right to use the 5 acres however they feel fit. When the lease is finished, the cellular tower will be removed.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 14 – INTERFUND TRANSFERS

During 2011 the following transfers were made:

Transfers from the General Fund (which includes the Local Income Tax Fund):

Blighted Fund	\$ 69,140
Other Governmental Funds	267,914
Wastewater Fund	244,678
Reservoir Debt Fund	699,073
Total Transfers from General Fund	<u>\$ 1,280,805</u>

Transfers from the Enterprise Funds:

	Wastewater Fund	Other Enterprise Fund
Wastewater Debt Fund	\$ 355,877	\$ -
Other Enterprise Funds	-	157,599
Total Transfers from Enterprise Funds	<u>\$ 355,877</u>	<u>\$ 157,599</u>

NOTE 15 – CONSTRUCTION & CONTRACTUAL COMMITMENTS

As of December 31, 2011, the Village had the following construction and contractual purchase commitments:

<u>Company</u>	Contract Amount	Balance Outstanding 12-31-11
Ward Construction Co., Inc.	\$ 121,747	\$ 100,650
	<u>\$ 121,747</u>	<u>\$ 100,650</u>

NOTE 16 – FUND BALANCES

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 16 – FUND BALANCES

Fund Balances	Capital					Total
	General Fund	Fire Fund	Project WWTP Fund	Blighted Fund	Other Governmental Funds	
Nonspendable						
Total Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for						
Road improvements	-	-	-	-	13,990	13,990
Police operations	-	-	-	-	2,621	2,621
Fire operations	-	274,098	-	-	-	274,098
Development	-	-	-	-	118,864	118,864
Permissive	-	-	-	-	6	6
WWTP project	-	-	1,539,014	-	-	1,539,014
Blighted Projects	-	-	-	351,598	-	351,598
Total Restricted	-	274,098	1,539,014	351,598	135,481	2,300,191
Committed to						
Total committed	-	-	-	-	-	-
Assigned to						
Other purposes	25,921	-	-	-	-	25,921
Total assigned	25,921	-	-	-	-	25,921
Unassigned (deficits)	(25,921)	-	-	-	-	(25,921)
Total fund balances	\$ -	\$ 274,098	\$ 1,539,014	\$ 351,598	\$ 135,481	\$ 2,300,191

NOTE 17 – CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor, principally the state government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

NOTE 18 – SUBSEQUENT EVENTS

As of December 31, 2011, the General Fund had a negative fund balance. The General Fund continues to be negative up to the date of this report.

NOTE 19 – GOING CONCERN

Due to these negative cash balances, the Village was unable to pay in full the payment due on the Industrial Development Revenue Bond in December 2009. In January 2010, the Village was only capable of paying approximately 20% of the amount due on the four OWDA loans. This caused the OWDA to file a lawsuit against the Village. Also in January 2010, the Village requested that the Auditor of State's Office perform a fiscal analysis on their financial condition. This fiscal analysis, the Village was placed in fiscal emergency by the Auditor of State on September 16, 2010.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

NOTE 19 – GOING CONCERN (CONTINUED)

The negative cash fund balances were covered primarily by the cash balance in the Enterprise Funds.

The Village had 120 days after going into fiscal emergency to have a plan submitted to the Auditor of State, Local Government Services Division (LGS). The recovery plan was approved by Village Council and the Fiscal Emergency Recovery Commission on February 7, 2011 with a revision on November 7, 2011. Since that time, Village officials have been following the plan.

NOTE 20 – ADVANCES FOR FINANCIAL REPORTING

For financial statement purposes, an Interfund advances were made to the following funds to provide for the negative fund balances they had throughout the year.

- The General fund repaid \$246,910 to the Fire fund and \$285,415 to the Water Debt fund.
- The General fund received \$389,670 from the Capital Projects WWTP fund.
- The Development fund repaid \$28,470 to the Blighted fund.
- The Construction fund repaid \$253,987 to the Blighted fund and \$50,830 to the Water Debt fund.
- The Railroad Debt fund repaid \$10,577 to the Railroad fund.
- The Wastewater Debt fund repaid \$44,471 to the Sanitary Sewer fund and \$40,019 to the Water fund.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Village of Leipsic
Putnam County, Ohio

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated June 22, 2012, wherein, we noted the Village prepares its financial statements on the cash basis of accounting and that the Village is experiencing financial difficulties and is in fiscal emergency. 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

Management of the Village is responsible for establishing and maintaining the Village's effective 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 auditing procedures for the purpose of expressing our opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies 2011-1, 2011-2, and 2011-5 described in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2011-3 and 2011-4 described in the accompanying schedule of findings and responses to be significant deficiencies.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2011-1 through 2011-5.

We noted certain matters that we reported to management of the Village in a separate letter dated June 22, 2012.

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

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



STEYER & CO.
Certified Public Accountants
Defiance, Ohio
June 22, 2012

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

2011-1 Material Weakness

Non-Compliance Citation

Ohio Revised Code § 5705.10(H) states money paid into any fund shall be used only for the purposes for which the fund was established.

The existence of a deficit balance in the general fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. There were twelve instances of deficit fund balances throughout 2011 in amounts ranging from \$362,401 to \$718,377.

We recommend the Village advance money to the General Fund, or reduce planned expenditures as necessary, to avoid deficit balance.

Management's Response

Management understands and agrees with the citation and will make the necessary corrections.

2011-2 Material Weakness

Non-Compliance Citation

Ohio Revised Code § 5705.36(A)(4), requires that, upon reasonable determination that revenues collected by the Village will be less than the amount included in an official certificate, the budget commission certify an amended official certificate reflecting the deficiency. An amendment of the official certificate was made, but another one should have been obtained for the deficiencies within four funds.

Appropriations were greater than total receipts in the following funds at year end:

<u>Fund</u>	Unencumbered Fund Balance Plus Actual Receipts	<u>Appropriation</u>	<u>Variance</u>
General	\$ 3,639,000	\$ 4,315,105	\$ (676,105)
Capital Project-WWTP	2,153,925	4,992,000	(2,838,075)
Wastewater Fund	758,882	955,424	(196,542)
Wastewater Debt Fund	578,599	654,684	(76,085)

Management's Response

Management understands and agrees with the citation and will make the necessary corrections.

2011-3 Significant Deficiency

Non-Compliance Citation

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated 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 of any amount due thereon.

VILLAGE OF LEIPSIC
PUTNAM COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011

2011-3 Significant Deficiency (Continued)

Non-Compliance Citation

This section also provides two “exceptions” to the above requirement:

- a. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer’s certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid.
- b. If the amount involved is less than \$3,000 the fiscal officer may authorize it to be paid without the affirmation of Council, upon completion of a then and now certificate, if such expenditure is otherwise valid.

Three percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. In addition, the Village had \$20,503 in outstanding purchase commitments at December 31, 2011 that were not certified until 2012. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

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

Management’s Response

Management understands and agrees with the citation and will make the necessary corrections.

2011-4 Significant Deficiency

Non-Compliance Citation

Ohio Revised Code §117.38 states that cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid.

The annual report was timely filed with the Auditor of State, but as we reviewed the report, we noticed that it was significantly deficient. The report had enterprise debt funds as governmental activities.

We recommend that the Fiscal Officer reclassify the funds.

Management’s Response

Management understands and agrees with the citation and will make the necessary corrections.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2011**

2011-5 Material Weakness

Non-Compliance Citation

Ohio Revised Code §5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditures.

Appropriations exceeded estimated revenues in the following funds at December 31, 2011.

<u>Fund</u>	Unencumbered Fund Balance <u>Plus Actual Receipts</u>	<u>Appropriation</u>	<u>Variance</u>
General	\$ 2,404,622	\$ 4,315,105	\$ (1,910,483)
Capital Project-WWTP	\$ 2,153,925	\$ 4,992,000	\$ (2,838,075)
Wastewater Fund	\$ 879,650	\$ 955,424	\$ (75,774)

We recommend the Village review estimated resources prior to approving or amending appropriations. If estimated resources are not sufficient to support planned appropriations, the Village should modify appropriations or request an amended certificate, if new revenue sources are identified.

Management's Response:

Management understands and agrees with the citation and will make the necessary corrections.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2010-1	Material Weakness ORC § 5705.10(H) Deficit fund balances	No	Not corrected. Reissued as finding 2011-1.
2010-2	Material Weakness ORC § 5705.41(B) Expenditures exceeded appropriations	Yes	Corrected.
2010-3	Material Weakness ORC § 5705.36(A)(4) Amended official certificate	No	Not corrected. Reissued as finding 2011-2.
2010-4	Significant Deficiencies ORC § 5705.41 Certificate of funds	No	Not corrected. Reissued as finding 2011-3.
2010-5	Significant Deficiency ORC § 117.38 Annual report	No	Not corrected. Reissued as finding 2011-4.
2010-6	Material Weakness ORC § 5705.39 Appropriations	No	Not corrected. Reissued as finding 2011-5.



Dave Yost • Auditor of State

VILLAGE OF LEIPSIC

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 11, 2012