



Dave Yost • Auditor of State

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types - For the Year Ended December 31, 2011	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2011	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2010	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - Proprietary Fund Type - For the Year Ended December 31, 2010	8
Notes to the Financial Statements	9
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	17
Schedule of Findings	19
Schedule of Prior Audit Findings	23

This page intentionally left blank.



Dave Yost • Auditor of State

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

To the Village Council:

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

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

Dave Yost
Auditor of State

November 9, 2012

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Village Council:

We have audited the accompanying financial statements of the Village of West Leipsic, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position or cash flows, where applicable for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of West Leipsic, Putnam County, Ohio and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1.F, during 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

November 9, 2012

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$3,237	\$5,250			\$8,487
Intergovernmental	38,477	13,251			51,728
Earnings on Investments	234	181			415
Miscellaneous	1,170				1,170
<i>Total Cash Receipts</i>	<u>43,118</u>	<u>18,682</u>			<u>61,800</u>
Cash Disbursements					
Current:					
Security of Persons and Property	16,935	6,699			23,634
Basic Utility Services	980				980
Transportation	8,710	2,855			11,565
General Government	28,289	172			28,461
Debt Service:					
Principal Retirement			\$756		756
<i>Total Cash Disbursements</i>	<u>54,914</u>	<u>9,726</u>	<u>756</u>		<u>65,396</u>
<i>Net Change in Fund Cash Balances</i>	(11,796)	8,956	(756)		(3,596)
<i>Fund Cash Balances, January 1</i>	<u>86,772</u>	<u>80,233</u>	<u>3,403</u>	<u>\$8,121</u>	<u>178,529</u>
Fund Cash Balances, December 31					
Restricted		89,189	2,647	8,121	99,957
Unassigned	74,976				74,976
<i>Fund Cash Balances, December 31</i>	<u>\$74,976</u>	<u>\$89,189</u>	<u>\$2,647</u>	<u>\$8,121</u>	<u>\$174,933</u>

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

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	\$54,446
Operating Cash Disbursements:	
Contractual Services	1,487
Other	50,028
<i>Total Operating Cash Disbursements</i>	<u>51,515</u>
<i>Operating Income</i>	<u>2,931</u>
Non-Operating Disbursements:	
Principal Retirement	(3,300)
Interest and Other Fiscal Charges	(11,493)
<i>Total Non-Operating Disbursements</i>	<u>(14,793)</u>
<i>Net Change in Fund Cash Balances</i>	(11,862)
<i>Fund Cash Balances, January 1</i>	<u>31,458</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$19,596</u></u>

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
Cash Receipts:					
Property and Local Taxes	\$3,786	\$5,649			\$9,435
Intergovernmental	38,511	14,338			52,849
Special Assessments	295				295
Earnings on Investments	445	1,310			1,755
Miscellaneous	920				920
<i>Total Cash Receipts</i>	<u>43,957</u>	<u>21,297</u>			<u>65,254</u>
Cash Disbursements:					
Current:					
Security of Persons and Property	17,065	8,059			25,124
Basic Utility Service	2,450				2,450
Transportation	8,102			\$156	8,258
General Government	36,480	176	\$2		36,658
Debt Service:					
Redemption of Principal			756		756
<i>Total Cash Disbursements</i>	<u>64,097</u>	<u>8,235</u>	<u>758</u>	<u>156</u>	<u>73,246</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,140)</u>	<u>13,062</u>	<u>(758)</u>	<u>(156)</u>	<u>(7,992)</u>
Other Financing Receipts / (Disbursements):					
Transfers-In		2,000			2,000
Transfers-Out	(2,000)				(2,000)
Other Financing Uses	(688)			(1,027)	(1,715)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,688)</u>	<u>2,000</u>		<u>(1,027)</u>	<u>(1,715)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(22,828)</u>	<u>15,062</u>	<u>(758)</u>	<u>(1,183)</u>	<u>(9,707)</u>
<i>Fund Cash Balances, January 1</i>	<u>109,600</u>	<u>65,171</u>	<u>4,161</u>	<u>9,304</u>	<u>188,236</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$86,772</u></u>	<u><u>\$80,233</u></u>	<u><u>\$3,403</u></u>	<u><u>\$8,121</u></u>	<u><u>\$178,529</u></u>

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

VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Enterprise</u>
Operating Cash Receipts:	
Charges for Services	<u>\$46,953</u>
Operating Cash Disbursements:	
Contractual Services	1,488
Other	<u>40,690</u>
<i>Total Operating Cash Disbursements</i>	<u>42,178</u>
<i>Operating Income</i>	<u>4,775</u>
Non-Operating Cash Disbursements:	
Redemption of Principal	(3,200)
Interest and Other Fiscal Charges	<u>(11,637)</u>
<i>Total Non-Operating Disbursements</i>	<u>(14,837)</u>
<i>Net Change in Fund Cash Balances</i>	(10,062)
<i>Fund Cash Balances, January 1</i>	<u>41,520</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$31,458</u></u>

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of West Leipsic, Putnam County, Ohio (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including road maintenance and repair and wastewater services. The Village contracts with the Village of Leipsic to provide police protection, fire protection and EMS services. The Village of Leipsic also provides water services to Village residents.

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

B. Accounting Basis

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

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

C. Deposits and Investments

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

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

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

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

3. Debt Service Fund

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

4. Capital Project Funds

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

Sanitary Sewer Construction Fund – In prior years, this fund received United States Department of Agriculture grant proceeds, a Community Development Block Grant and an Ohio Public Works Commission Grant for the construction of a waste water system for the Village. The Village currently is using the remaining balance for sanitary sewer related expenditures.

5. Enterprise Funds

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

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

Enterprise Debt Service Fund - This fund was established as a reserve for paying the sewer debt obligations. During 2011 the Village used some of these monies to make their annual debt service payment.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

In 2011 the Village adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*, Under GASB No. 54, fund balances are divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Village classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *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.

3. Committed

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

5. Unassigned

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

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.

G. Property, Plant, and Equipment

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. Equity in Pooled Deposits

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

	2011	2010
Demand deposits	\$194,529	\$209,987

Deposits: Deposits are insured by the Federal Depository Insurance Corporation

3. Budgetary Activity

Budgetary activity for the years ending 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$45,885	\$43,118	(\$2,767)
Special Revenue	22,422	18,682	(3,740)
Enterprise	50,000	54,446	4,446
Total	\$118,307	\$116,246	(\$2,061)

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. Budgetary Activity (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,500	\$54,914	\$77,586
Special Revenue	102,654	9,726	92,928
Debt Service	756	756	
Capital Projects	8,121		8,121
Enterprise	69,020	66,308	2,712
Total	\$313,051	\$131,704	\$181,347

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,087	\$43,957	\$870
Special Revenue	23,467	23,297	(170)
Enterprise	57,309	46,953	(10,356)
Total	\$123,863	\$114,207	(\$9,656)

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$132,500	\$66,785	\$65,715
Special Revenue	87,116	8,235	78,881
Debt Service	758	758	
Capital Projects	9,303	1,183	8,120
Enterprise	98,303	57,015	41,288
Total	\$327,980	\$133,976	\$194,004

4. Property Tax

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5, Debt

Debt outstanding at December 31, 2011 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Public Works Commission Loan	\$ 2,270	0%
Mortgage Revenue Bonds	252,100	4.5%
Total	<u>\$ 254,370</u>	

Ohio Public Works Commission Loan was issued in 1994 for \$25,000 for waterline improvements.

The waste water treatment improvements were financed with \$270,000 of Sewer System Mortgage Revenue Bonds. The Village will repay the bond issue with annual payments, including interest, over 40 years.

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. This fund is required to maintain a balance equal to the debt service payment due in the ensuing fiscal year. The balance in the fund at December 31, 2011 is \$12,445. The debt service payment due in the ensuing fiscal year is \$14,845. No monthly \$124 payments were made in 2011 to bring the fund balance back to the required level.

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

Year ending December 31:	Mortgage Revenue Bonds Principal	Mortgage Revenue Bonds Interest	OPWC Loan
2012	\$3,500	\$11,345	\$756
2013	3,600	11,218	756
2014	3,800	11,025	758
2015	4,000	10,854	
2016	4,100	10,674	
2017-2021	23,500	50,478	
2022-2026	29,400	44,650	
2027-2031	36,700	37,411	
2032-3026	45,700	28,371	
2037-2041	57,000	17,119	
2042-2044	40,800	3,726	
Total	<u>\$252,100</u>	<u>\$236,871</u>	<u>\$2,270</u>

6. Retirement System

The Village's officials belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Village Council:

We have audited the financial statements of the Village of West Leipsic, Putnam County, Ohio (the Village), as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 9, 2012 wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, and the Village adopted Governmental Accounting Standards Board Statement No. 54 in 2011. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-003 described in the accompanying schedule of findings to be a material weakness.

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 finding 2011-004 described in the accompanying schedule of findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-001 and 2011-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 9, 2012.

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



Dave Yost
Auditor of State

November 9, 2012

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

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

FINDING NUMBER 2011-001

Noncompliance Citation

Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 2004, Section 10, indicates a balance equal to the amount required to be paid during the ensuing fiscal year with respect to all outstanding bonds (the Bond Reserve Requirement), shall be accumulated in the Enterprise Debt Service Fund. Whenever disbursements are made from this fund, monthly payments in the amount of \$124 shall be made until there is again accumulated in that fund the Bond Reserve Requirement.

During 2011, due to an insufficient Sewer Revenue Fund balance, the annual sewer bond debt service payment was made from the Enterprise Debt Service Fund. This payment brought down the Enterprise Debt Service Fund's December 31, 2011 fund balance to \$12,445, which is \$2,400 below the required amount of \$14,845. In addition, no monthly \$124 payments were made in 2011 to the Enterprise Debt Service Fund.

We recommend the Village begin making the \$124 payments and continue to do so until the Enterprise Debt Service Fund balance is at the required level. The Enterprise Debt Service Fund balance should then be monitored and kept at the Bond Reserve Requirement amount.

FINDING NUMBER 2011-002

Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the clerk is attached thereto. The fiscal officer must certify the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and order for expenditures lacking prior certification shall be null and void.

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

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

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

**FINDING NUMBER 2011-002
(Continued)**

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

Seventy-six percent of the transactions tested were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

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

FINDING NUMBER 2011-003

Material Weakness – Monitoring Controls

The small size of the Village's fiscal operations does not allow for an adequate segregation of duties. The Fiscal Officer performs most accounting functions. It is therefore important Council monitor financial activity closely.

There was no evidence the Council reviewed monthly detailed revenue and disbursement ledgers, budgetary activity, deposits, invoices, or fund balances on a regular basis.

The lack of monitoring by Council contributed to the failure to detect inaccurate posting of transactions to the financial statements, such as the following:

- Charges for Services of \$54,446 and \$46,953, in 2011 and 2010 respectively, were misclassified as Special Assessments in the Sewer Fund.
- Local Government revenues in the amount of \$4,332 were misclassified as Taxes in the General Fund in 2010.

**FINDING NUMBER 2011-003
(Continued)**

- Interest revenue was overstated by \$2,444 in 2010 in the General Fund.

Adjusting entries in amounts up to \$54,446 were posted to the financial statements and, where applicable, to the accounting records to correct these and other errors.

To ensure the Village's financial statements and notes to the statements are complete and accurate, the Village Council should adopt policies and procedures, including a final review of the financial statements, management discussion and analysis, and notes to the financial statements to identify and correct errors and omissions.

FINDING NUMBER 2011-004

Significant Deficiency – Cash Reconciliations

Prior to closing out the financial records each month, the bank account balances should be reconciled to the combined fund balances. This procedure is an important method of detecting errors in the financial records and bank account records. After this procedure is completed any errors found should be immediately corrected, the financial records closed, and month end financial information generated by the Fiscal Officer.

Reconciliations for all months during the audit period aside from December 2011 and December 2010, contained significant unresolved reconciling items between the amounts of \$712 and \$13,966, except for August 2010 for which there was none performed. These unresolved reconciling items were usually the result of the Fiscal Officer depositing and receipting on different days.

We recommend the Fiscal Officer present evidence to Council which indicates all bank balances have been reconciled to the cash journal fund balances each without unknown adjusting factors on the reconciliation.. In addition, the finance committee should periodically verify items appearing on the monthly bank reconciliation, including, but not limited to authentication of outstanding checks and deposits in transit.

Officials' Response:

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

This page intentionally left blank.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Revised Code 5705.41(B), expenditures in excess of appropriations.	Yes	
2009-002	Ohio Revised Code 5705.41(D), lack of prior certification of expenditures.	No	Repeated as Finding 2011-002 in this report.
2009-003	Ohio Revised Code 731.14, not bidding out contract.	Yes	
2009-004	Monitoring of Financial Statements.	No	Repeated as Finding 2011-003 in this report.
2009-005	Improve Cash Reconciliation Process.	Partially Corrected	Repeated as Finding 2011-004 in this report.

This page intentionally left blank.



Dave Yost • Auditor of State

VILLAGE OF WEST LEIPSIC

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 4, 2012