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Certified Public Accountants, A.C.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**REGULAR AUDIT
For the Years Ended December 31, 2015 and 2014**

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...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
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Members: American Institute of Certified Public Accountants

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- Association of Certified Anti - Money Laundering Specialists •



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 Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2014 through December 31, 2015. 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

October 12, 2016

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VILLAGE OF LEIPSIC
PUTNAM COUNTY

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INDEPENDENT AUDITOR'S REPORT

July 29, 2016

Village of Leipsic
Putnam County
142 East Main Street
Leipsic, Ohio 45856

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the **Village of Leipsic**, Putnam County, (the Village) as of and for the years ended December 31, 2015 and 2014.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1B of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Village does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2015 and 2014, changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Leipsic, Putnam County, as of December 31, 2015 and 2014, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1B.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2016, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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* in considering the Village's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**VILLAGE OF 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, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 129,688	\$ 43,627	\$ -	\$ 173,315
Municipal Income Tax	1,322,446	-	-	1,322,446
Intergovernmental	44,778	196,511	7,200	248,489
Charges for Services	15,195	78,399	-	93,594
Fines, Licenses and Permits	10,069	232	-	10,301
Earnings on Investments	315	38	-	353
Miscellaneous	74,326	2,905	-	77,231
<i>Total Cash Receipts</i>	<u>1,596,817</u>	<u>321,712</u>	<u>7,200</u>	<u>1,925,729</u>
Cash Disbursements				
Current:				
Security of Persons and Property	238,145	248,321	-	486,466
Leisure Time Activities	112,869	-	-	112,869
Community Environment	42,789	-	89,245	132,034
Transportation	-	250,022	-	250,022
General Government	430,205	-	-	430,205
Capital Outlay	-	-	14,663	14,663
Debt Service:				
Principal Retirement	34,570	27,300	-	61,870
Interest and Fiscal Charges	5,433	4,005	-	9,438
<i>Total Cash Disbursements</i>	<u>864,011</u>	<u>529,648</u>	<u>103,908</u>	<u>1,497,567</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>732,806</u>	<u>(207,936)</u>	<u>(96,708)</u>	<u>428,162</u>
Other Financing Receipts (Disbursements)				
Sale of Capital Assets	-	4,774	-	4,774
Transfers In	-	134,759	39,460	174,219
Transfers Out	(540,489)	-	-	(540,489)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(540,489)</u>	<u>139,533</u>	<u>39,460</u>	<u>(361,496)</u>
<i>Net Change in Fund Cash Balances</i>	192,317	(68,403)	(57,248)	66,666
<i>Fund Cash Balances, January 1</i>	<u>668,900</u>	<u>383,225</u>	<u>501,121</u>	<u>1,553,246</u>
Fund Cash Balances, December 31				
Restricted	-	314,822	443,873	758,695
Assigned	16,787	-	-	16,787
Unassigned	844,430	-	-	844,430
<i>Fund Cash Balances, December 31</i>	<u>\$ 861,217</u>	<u>\$ 314,822</u>	<u>\$ 443,873</u>	<u>\$ 1,619,912</u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,449,759
Miscellaneous	11,051
	<u>2,460,810</u>
<i>Total Operating Cash Receipts</i>	<i>2,460,810</i>
Operating Cash Disbursements	
Personal Services	596,060
Contractual Services	548,435
Supplies and Materials	146,887
Other	113,182
	<u>1,404,564</u>
<i>Total Operating Cash Disbursements</i>	<i>1,404,564</i>
<i>Operating Income</i>	<i>1,056,246</i>
Non-Operating Receipts (Disbursements)	
Property and Other Local Taxes	419,597
Intergovernmental	40,000
Earnings on Investments	519
Capital Outlay	(112,904)
Principal Retirement	(842,237)
Interest and Fiscal Charges	(528,865)
	<u>(1,023,890)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<i>(1,023,890)</i>
Income Before Transfers	32,356
Transfers In	1,022,654
Transfers Out	(656,384)
	<u>398,626</u>
<i>Net Change in Fund Cash Balances</i>	<i>398,626</i>
<i>Fund Cash Balances, January 1</i>	<i>2,351,146</i>
	<u>2,351,146</u>
<i>Fund Cash Balances, December 31</i>	<i>\$ 2,749,772</i>
	<u>2,749,772</u>

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

**VILLAGE OF 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, 2014**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts				
Property and Other Local Taxes	\$ 121,666	\$ 43,447	\$ -	\$ 165,113
Municipal Income Tax	1,256,774	-	-	1,256,774
Intergovernmental	66,383	129,100	403,505	598,988
Charges for Services	16,934	93,870	-	110,804
Fines, Licenses and Permits	14,159	1,281	-	15,440
Earnings on Investments	446	33	-	479
Miscellaneous	49,234	12,125	7,730	69,089
<i>Total Cash Receipts</i>	<u>1,525,596</u>	<u>279,856</u>	<u>411,235</u>	<u>2,216,687</u>
Cash Disbursements				
Current:				
Security of Persons and Property	261,600	231,965	-	493,565
Public Health Services	1,926	-	-	1,926
Leisure Time Activities	164,071	-	-	164,071
Community Environment	42,913	-	19,950	62,863
Transportation	-	256,251	-	256,251
General Government	645,297	-	-	645,297
Capital Outlay	-	-	305,661	305,661
Debt Service:				
Principal Retirement	16,869	9,793	-	26,662
Interest and Fiscal Charges	3,132	788	-	3,920
<i>Total Cash Disbursements</i>	<u>1,135,808</u>	<u>498,797</u>	<u>325,611</u>	<u>1,960,216</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>389,788</u>	<u>(218,941)</u>	<u>85,624</u>	<u>256,471</u>
Other Financing Receipts (Disbursements)				
Sale of Bonds	-	144,000	-	144,000
Transfers In	-	99,646	38,646	138,292
Transfers Out	(529,047)	-	-	(529,047)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(529,047)</u>	<u>243,646</u>	<u>38,646</u>	<u>(246,755)</u>
<i>Net Change in Fund Cash Balances</i>	(139,259)	24,705	124,270	9,716
<i>Fund Cash Balances, January 1</i>	<u>808,159</u>	<u>358,520</u>	<u>376,851</u>	<u>1,543,530</u>
Fund Cash Balances, December 31				
Restricted	-	383,225	501,121	884,346
Assigned	199,473	-	-	199,473
Unassigned	469,427	-	-	469,427
<i>Fund Cash Balances, December 31</i>	<u>\$ 668,900</u>	<u>\$ 383,225</u>	<u>\$ 501,121</u>	<u>\$ 1,553,246</u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$ 2,471,159
Miscellaneous	23,900
	<u>2,495,059</u>
<i>Total Operating Cash Receipts</i>	<u>2,495,059</u>
Operating Cash Disbursements	
Personal Services	555,919
Employee Fringe Benefits	1,798
Contractual Services	501,129
Supplies and Materials	162,141
Other	159,404
	<u>1,380,391</u>
<i>Total Operating Cash Disbursements</i>	<u>1,380,391</u>
<i>Operating Income</i>	<u>1,114,668</u>
Non-Operating Receipts (Disbursements)	
Sale of Notes	220,000
Property and Other Local Taxes	419,314
Earnings on Investments	305
Capital Outlay	(418,506)
Principal Retirement	(870,981)
Interest and Fiscal Charges	(554,956)
	<u>(1,204,824)</u>
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>(1,204,824)</u>
(Loss) before Transfers	(90,156)
Transfers In	1,062,019
Transfers Out	(671,264)
	<u>300,599</u>
<i>Net Change in Fund Cash Balances</i>	<u>300,599</u>
<i>Fund Cash Balances, January 1</i>	<u>2,050,547</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$ 2,351,146</u></u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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 Leipsic, Putnam County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, water and sewer utilities, and maintenance of Village roads, park operations, police services, and fire services.

The Village participates in the Public Entities Pool of Ohio (PEP) public entity risk pool. Note 9 to the financial statements provide additional information for this entity. This organization is:

Public Entity Risk Pool:

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments.

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

The Village maintains all funds in demand deposit accounts.

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 accounts for and reports all financial resources not accounted for and recorded in another fund.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Fund Accounting (Continued)

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. 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.

Fire Fund – This fund receives property tax monies and monies from other surrounding governments to operate a Volunteer Fire Department.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following significant capital project fund:

Wastewater Treatment Plant Fund – This fund receives monies for the expansion of the wastewater treatment plant.

4. Enterprise Funds

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

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

Wastewater Fund – This fund accounts for the provisions of wastewater services to the residents and commercial users within the Village.

Wastewater Debt Fund – This fund accounts for the debt issues relating to the sanitary system.

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

E. Budgetary Process

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

VILLAGE OF LEIPSIC
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgetary Process (Continued)

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is 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.

VILLAGE OF LEIPSIC
PUTNAM COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Fund Balance (Continued)

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.

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.

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2015	2014
Demand Deposits	\$ 4,369,684	\$ 3,904,392
Total Deposits	<u>\$ 4,369,684</u>	<u>\$ 3,904,392</u>

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

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2015 and 2014 are as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,403,117	\$ 1,596,817	\$ 193,700
Special Revenue	531,663	461,245	(70,418)
Capital Projects	43,424	46,660	3,236
Enterprise	4,325,576	3,943,580	(381,996)
Total	\$ 6,303,780	\$ 6,048,302	\$ (255,478)

2015 Budgeted vs. Actual Budgetary Based Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,678,482	\$ 1,421,287	\$ 257,195
Special Revenue	657,470	560,778	96,692
Capital Projects	249,296	139,325	109,971
Enterprise	4,365,829	3,816,087	549,742
Total	\$ 6,951,077	\$ 5,937,477	\$ 1,013,600

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,425,681	\$ 1,525,596	\$ 99,915
Special Revenue	457,877	523,502	65,625
Capital Projects	430,766	449,881	19,115
Enterprise	4,356,280	4,196,697	(159,583)
Total	\$ 6,670,604	\$ 6,695,676	\$ 25,072

2014 Budgeted vs. Actual Budgetary Based Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,056,241	\$ 1,864,328	\$ 191,913
Special Revenue	574,215	529,278	44,937
Capital Projects	527,660	333,345	194,315
Enterprise	4,539,029	4,001,626	537,403
Total	\$ 7,697,145	\$ 6,728,577	\$ 968,568

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

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.

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

5. LOCAL INCOME TAX

The Village levies a 1.5% tax on substantially all earned income within the Village as well as certain income of residents earned outside of 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 withhold income tax on employee compensation and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers pay estimated taxes at least quarterly and file a declaration annually.

6. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Fire Truck Bonds	\$ 107,800	3.22%
Industrial Park Water Line Note	168,560	2.90%
OWDA Loan #2316	243,183	4.12%
OWDA Loan #4620	3,464,808	0.00%
OWDA Loan #5003	6,862,164	5.29%
OPWC Loan #CM21B	18,534	0.00%
OPWC Loan #CM24D	37,620	0.00%
OPWC Loan #CM42M	55,560	0.00%
Revenue Bonds, Series 1997	1,818,000	5.00%
Revenue Bonds, Series 2007	1,035,000	4.75%
Total	\$ 13,811,229	

The Ohio Water Development Authority (OWDA) loan #1682 was paid off in 2014. The loan related to the acquisition of wastewater treatment and/or water management.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (CONTINUED)

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 Water Development Authority (OWDA) loan #7128 relates to the costs of improving the Village's water system by purchasing new water meters. 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 loan proceeds had not been distributed by December 31, 2015 however the loan documents have been signed. There is no amortization for this loan available at the date of this report therefore this loan is not included in the loan amortization table or list of outstanding debt.

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 \$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.

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 Fire Truck Bonds, relates to the cost of purchasing a new fire truck. The bonds will be paid in equal monthly installments over 5 years plus interest at 3.22% starting in September 2014 and maturing August 2019.

The Industrial Park Raw Water Line Note, relates to the cost of constructing, installing, and equipping water lines. The note will be repaid in equal monthly installments of over 6 years plus interest of 2.90% starting in July 2014 and maturing June 2020.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

6. DEBT (CONTINUED)

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

Year ending December 31:	OWDA Loans	OPWC Loans	Revenue Bonds	Fire Truck Bonds	Industrial Park Water Line Note
2016	965,725	16,104	250,222	31,210	40,003
2017	965,725	16,104	252,785	31,269	40,003
2018	796,877	16,104	253,960	31,204	40,003
2019	796,877	16,104	250,985	20,852	40,003
2020	796,877	10,809	251,860	-	20,001
2021-2025	3,984,387	26,683	1,258,255	-	-
2026-2030	3,262,552	9,806	921,700	-	-
2031-2035	2,540,717	-	690,200	-	-
2036-2040	2,286,645	-	276,450	-	-
Total	<u>\$ 16,396,382</u>	<u>\$ 111,714</u>	<u>\$ 4,406,417</u>	<u>\$ 114,535</u>	<u>\$ 180,013</u>

7. LEASE

The Village 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.

8. DEFINED BENEFIT PENSION PLANS

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

The Ohio Revised Code also prescribes contribution rates. For July 1, 2013 to June 30, 2014, July 1, 2014 to June 30, 2015 and July 1, 2015 to December 31, 2015 OP&F participants contributed 10.75%, 11.5%, and 12.25% respectively of full-time police members' wages. For 2015 and 2014, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' wages. For 2015 and 2014, 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, 2015.

**VILLAGE OF LEIPSIK
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. RISK MANAGEMENT

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 Worker's 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. 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 York. 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, 2015, PEP retained \$350,000 for casualty claims and \$100,000 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.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2014 and 2015.

	<u>2014</u>	<u>2015</u>
Assets	\$35,402,177	\$38,307,677
Liabilities	<u>(12,363,257)</u>	<u>(12,759,127)</u>
Net Position	<u>\$23,038,920</u>	<u>\$25,548,550</u>

At December 31, 2014 and 2015, respectively, the liabilities above include approximately 11.1 million and \$11.5 million of estimated incurred claims payable. The assets above also include approximately \$10.8 million and \$11.0 million of unpaid claims to be billed. The Pool's membership increased from 488 members in 2014 to 499 members in 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Village's share of these unpaid claims collectible in future years is approximately \$33,776.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014
(Continued)**

9. RISK MANAGEMENT (CONTINUED)

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>	
<u>2014</u>	<u>2015</u>
\$53,922	\$53,613

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to 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.

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Village are subject to audit and adjustment by the grantor. The grantor 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.



428 Second St.
Marietta, OH 45750
740.373.0056

1035 Murdoch Ave.
Parkersburg, WV 26101
304.422.2203

104 South Sugar St.
St. Clairsville, OH 43950
740.695.1569

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

July 29, 2016

Village of Leipsic
Putnam County
142 East Main Street
Leipsic, Ohio 45856

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the **Village of Leipsic**, Putnam County, (the Village) as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated July 29, 2016 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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.

...“bringing more to the table”

Tax– Accounting – Audit – Review – Compilation – Agreed Upon Procedure – Consultation – Bookkeeping – Payroll
Litigation Support – Financial Investigations

Members: American Institute of Certified Public Accountants

- Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners •
- Association of Certified Anti - Money Laundering Specialists •

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a significant deficiency. We consider finding 2015-001 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, opining 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We also noted a certain matter not requiring inclusion in this report that we communicated to management in a separate letter dated July 29, 2016.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

VILLAGE OF LEIPSIC
PUTNAM COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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

FINDING NUMBER 2015-001

Significant Deficiency

Posting of Receipts and Disbursements

During 2015 and 2014, receipts and disbursements were not posted into accurate classifications based on the source of the receipt and disbursement. The following posting errors were noted during the audit:

- An Intergovernmental receipt was recorded as Fines, Licenses, and Permits in the Street Construction Maintenance and Repair Fund for 2014
- There was a payroll tax expense taken out of the bank at the end of 2014 but not recorded in the accounting system until 2015.
- Charges for Services receipts were misclassified as Miscellaneous receipts in the Fire Fund for 2015 and 2014.
- Intra-fund transfers-in and transfers-out were misclassified for 2015 and 2014.
- Principal and interest payments were misclassified for 2015 and 2014.

Not posting receipts and disbursements accurately resulted in the financial statements requiring reclassifications and adjustments. The Village has agreed with and posted all adjustments to its accounting system. The financial statements reflect all reclassifications and adjustments.

We recommend the Fiscal Officer refer to the Village Handbook for guidance to determine the proper posting of receipts and disbursements.

Officials' Response – We did not receive a response from Officials to this finding.

**VILLAGE OF LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2013-01	Posting of Receipts and Disbursements	No	Reissued as Finding 2015-001
2013-02	ORC Section 117.38 – Deficient Annual Financial Report	Yes	Corrected
2013-03	ORC Section 5705.10(H) – Deficit Fund Balance	Yes	Corrected



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
OCTOBER 25, 2016