



Dave Yost • Auditor of State



VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

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 West Leipsic, Putnam County, Ohio (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.

***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, or 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 West Leipsic, Putnam County, Ohio 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 December 26, 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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 26, 2016

**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, 2015**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$10,072	\$7,799			\$17,871
Intergovernmental	25,859	13,288			39,147
Earnings on Investments	1	2			3
Miscellaneous	657				657
<i>Total Cash Receipts</i>	<u>36,589</u>	<u>21,089</u>			<u>57,678</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	15,412	13,872			29,284
Transportation		7,874			7,874
General Government	25,900	239			26,139
Debt Service:					
Principal Retirement			\$378		378
<i>Total Cash Disbursements</i>	<u>41,312</u>	<u>21,985</u>	<u>378</u>		<u>63,675</u>
<i>Excess of Disbursements Over Receipts</i>	(4,723)	(896)	(378)		(5,997)
<b>Other Financing Disbursements</b>					
Other Financing Uses	(82)				(82)
<i>Net Change in Fund Cash Balances</i>	(4,805)	(896)	(378)		(6,079)
<i>Fund Cash Balances, January 1</i>	<u>34,999</u>	<u>99,785</u>	<u>\$378</u>	<u>\$6,430</u>	<u>141,592</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		98,889		6,430	105,319
Assigned	27,010				27,010
Unassigned	3,184				3,184
<i>Fund Cash Balances, December 31</i>	<u>\$30,194</u>	<u>\$98,889</u>		<u>\$6,430</u>	<u>\$135,513</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, 2015

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$100,485</u>
<b>Operating Cash Disbursements</b>	
Contractual Services	1,800
Other	<u>71,139</u>
<i>Total Operating Cash Disbursements</i>	<u>72,939</u>
<i>Operating Income</i>	<u>27,546</u>
<b>Non-Operating Disbursements</b>	
Principal Retirement	4,000
Interest and Other Fiscal Charges	<u>10,854</u>
<i>Total Non-Operating Disbursements</i>	<u>14,854</u>
<i>Net Change in Fund Cash Balances</i>	12,692
<i>Fund Cash Balances, January 1</i>	<u>17,704</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$30,396</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, 2014**

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>Cash Receipts</b>					
Property and Other Local Taxes	\$3,833	\$6,134			\$9,967
Intergovernmental	20,771	\$13,080			33,851
Earnings on Investments		1			1
Miscellaneous	1,041				1,041
<i>Total Cash Receipts</i>	<u>25,645</u>	<u>19,215</u>			<u>44,860</u>
<b>Cash Disbursements</b>					
Current:					
Security of Persons and Property	15,350	9,246			24,596
Transportation		17,245			17,245
General Government	28,050	208			28,258
Debt Service:					
Principal Retirement			\$757	1,691	2,448
<i>Total Cash Disbursements</i>	<u>43,400</u>	<u>26,699</u>	<u>757</u>		<u>72,547</u>
<i>Excess of Disbursements Over Receipts</i>	(17,755)	(7,484)	(757)	(1,691)	(27,687)
<b>Other Financing Disbursements</b>					
Other Financing Uses	(2,800)				(2,800)
<i>Net Change in Fund Cash Balances</i>	(20,555)	(7,484)	(757)	(1,691)	(30,487)
<i>Fund Cash Balances, January 1</i>	<u>55,554</u>	<u>107,269</u>	<u>1,135</u>	<u>8,121</u>	<u>172,079</u>
<b>Fund Cash Balances, December 31</b>					
Restricted		99,785	378	6,430	106,593
Assigned	33,915				33,915
Unassigned	1,084				1,084
<i>Fund Cash Balances, December 31</i>	<u>\$34,999</u>	<u>\$99,785</u>	<u>\$378</u>	<u>\$6,430</u>	<u>\$141,592</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, 2014

	<u>Enterprise</u>
<b>Operating Cash Receipts</b>	
Charges for Services	<u>\$94,099</u>
<b>Operating Cash Disbursements</b>	
Contractual Services	1,976
Other	<u>70,776</u>
<i>Total Operating Cash Disbursements</i>	<u>72,752</u>
<i>Operating Income</i>	<u>21,347</u>
<b>Non-Operating Disbursements</b>	
Principal Retirement	3,800
Interest and Other Fiscal Charges	<u>9,333</u>
<i>Total Non-Operating Disbursements</i>	<u>13,133</u>
<i>Net Change in Fund Cash Balances</i>	8,214
<i>Fund Cash Balances, January 1</i>	<u>9,490</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$17,704</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, 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 West 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, including road maintenance and repair and wastewater services. The Village contracts with the Village of Leipsic to provide police protection and fire protection. 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 permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

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

**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:

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

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

**1. Summary of Significant Accounting Policies – (Continued)**

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

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

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

**3. Debt Service Fund**

This fund accounts for and reports financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Village had the following significant Debt Service Fund:

Ohio Public Works Commission Loan Fund - This fund accounts for resources the Village accumulates to pay bond and note debt.

**4. Capital Project Fund**

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:

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.

**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 Fund:

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

**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, object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

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

**1. Summary of Significant Accounting Policies – (Continued)**

**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 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 re-appropriated.

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.

**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, 2015 AND 2014  
(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:

	2015	2014
Demand deposits	\$65,051	\$58,765
Certificates of deposit	100,858	100,531
Total deposits	\$165,909	\$159,296

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,955	\$36,589	\$1,634
Special Revenue	22,928	21,089	(1,839)
Enterprise	100,000	100,485	485
Total	\$157,883	\$158,163	\$280

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

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

2015 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,870	\$41,394	\$27,476
Special Revenue	120,597	21,985	98,612
Debt Service	379	378	1
Enterprise	116,354	87,793	28,561
Total	<u>\$306,200</u>	<u>\$151,550</u>	<u>\$154,650</u>

2014 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$25,730	\$25,645	(\$85)
Special Revenue	17,663	19,215	1,552
Enterprise	83,000	94,099	11,099
Total	<u>\$126,393</u>	<u>\$138,959</u>	<u>\$12,566</u>

2014 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$80,673	\$46,200	\$34,473
Special Revenue	121,592	26,699	94,893
Debt Service	1,134	757	377
Capital Projects	8,121	1,691	6,430
Enterprise	79,000	85,885	(6,885)
Total	<u>\$290,520</u>	<u>\$161,232</u>	<u>\$129,288</u>

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Capital Projects Fund by \$6,886 for the year ended December 31, 2014. Contrary to Ohio law, posted appropriations in the Sewer Fund in 2014 exceeded approved appropriations.

**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.

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

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

**5. Income Tax**

The Village levies a 1 percent income tax whose proceeds are placed into the General 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. 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.

**6. Debt**

Debt outstanding at December 31, 2015 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	<u>\$237,200</u>	4.50%

Ohio Public Works Commission Loan was issued in 1994 for \$25,000 for waterline improvements. This debt was paid off in 2015.

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, 2015 is \$1,100. The debt service payment due in the ensuing year is \$14,774. No monthly \$124 payments were made in 2014 or 2015 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
2016	\$4,100	\$10,674
2017	4,300	10,518
2018	4,500	10,296
2019	4,700	10,094
2020	4,900	9,882
2021-2025	28,100	45,941
2026-2030	35,100	38,991
2031-2035	43,700	30,339
2036-2040	54,600	19,570
2041-2045	53,200	6,124
Total	<u>\$237,200</u>	<u>\$192,429</u>

Contrary to Village Ordinance 497, the Village did not set aside the proper amount of monies in its Enterprise Debt Service Fund for 2014 and 2015.



**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

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

**7. Retirement System**

The Village's employees 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 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.

**8. Risk Management**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles;
- Inland marine; and
- Terrorism insurance coverage

**9. Compliance**

- Contrary to the requirements of Internal Revenue Code Chapter 26, the Village failed to follow procedures for withholding and remitting Medicare.
- Contrary to Ohio law, a transfer was made from the General fund to the Street Lighting fund without approval by Council.

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S 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, 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 disbursement by fund type of the Village of West Leipsic, Putnam County, Ohio (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 December 26, 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.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2015-001 through 2015-003 and 2015-007 to be material weaknesses.

***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 instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2015-003 through 2015-007.

***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.



**Dave Yost**  
Auditor of State

Columbus, Ohio

December 26, 2016

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Material Weakness**

**Monitoring of Financial Statements**

Accurate financial reporting is the responsibility of the Fiscal Officer and Village Council and is essential to ensure the information provided to the readers of the financial statements is fairly stated.

The Fiscal Officer is responsible for the majority of the functions related to the accounting records. Without proper separation of duties, there is a possibility errors or fraud could occur and not be detected in a timely period.

The Village's lack of a policy regarding financial review contributed to the following errors occurring without detection:

- Charges for Services of \$100,485 and \$94,099, in 2015 and 2014, respectively, were misclassified as Special Assessments in the Sewer Fund.
- In 2014, a mortgage revenue debt interest payment of \$1,692 was misclassified as Other Financing Uses instead of Debt Service - Interest and Other Fiscal Charges in the Capital Projects Sanitary Sewer Construction Fund.

As a result, the Village's financial statements did not correctly reflect the financial activity of the Village. The Village's financial statements have been adjusted to reflect these discrepancies.

To help ensure the financial statements and notes to the financial statements are complete and accurate we recommend the Fiscal Officer post all transactions in accordance with guidance established by the Ohio Village Officers' Handbook issued by the Auditor of State. The Village Council should adopt policies and procedures, including a final review of the financial statements and notes to the financial statements, by the Fiscal Officer and Council to identify and correct errors and omissions.

**FINDING NUMBER 2015-002**

**Material Weakness**

**Fund Balances**

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, introduces five fund balance classifications and clarifies the existing governmental fund type definitions. The fund balance classifications relate to constraints placed upon the use of resources reported in governmental funds. The five classifications are nonspendable, restricted, committed, assigned and unassigned.

The assigned fund balance classification includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. When the appropriation measure is adopted for the subsequent year, if a portion of existing fund balance is included as a budgetary resource, then that portion of fund balance should be classified as assigned. This would be applicable to the general fund as it is the only fund with a positive unassigned fund balance.

There was no review of the financial statements to ensure the applicable requirements of GASB statement 54 were met. As a result, a portion of fund balance should have been assigned for budgetary purposes.

The 2016 annual appropriation measure for the General fund was adopted by Council in the amount of \$68,610. 2016 estimated receipts were \$34,955. A portion of the 2015 General fund balance (\$30,194) should have been classified as assigned rather than unassigned.

The 2015 annual appropriation measure for the General fund was adopted by Council in the amount of \$68,870. 2015 estimated receipts were \$34,955. A portion of the 2014 General fund balance (\$33,915) should have been classified as assigned rather than unassigned.

Adjustments were recorded to the 2015 and 2014 financial statements to classify the amounts as assigned.

These errors occurred as a result of a lack of understanding of the proper classification of fund balances in accordance with GASB 54.

In order to ensure the Village's governmental fund balances are reported in accordance with GASB 54, we recommend the Fiscal Officer review Auditor of State Bulletin 2011-004.

#### **FINDING NUMBER 2015-003**

##### **Material Weakness and Noncompliance Citation**

**Ohio Rev. Code § 5705.40** provides that any appropriation ordinance or measure may be amended or supplemented as long as such amendment or supplement complies with all provisions of law governing the taxing authority in making an original appropriation. The legally adopted appropriations and carry over encumbrances differed from the posted appropriations and carry over encumbrances in the Sewer fund in 2014. The approved appropriations were \$79,000, \$14,133 less than the posted appropriations of \$93,133.

This error occurred since the Fiscal Officer did not compare Council approved appropriations to what was posted in the appropriation ledger. The budgetary note to the financial statements was corrected to reflect the approved amounts.

By not posting approved appropriations to the Village's ledgers, Council is not provided with adequate budgetary information to aid in monitoring the Village's financial position.

We recommend the Fiscal Officer only post appropriations which have been formally adopted by Council in the minutes and certified by the County Auditor. We also recommend the Village develop procedures to ensure proper posting to the accounting system and financial statements.

#### **FINDING NUMBER 2015-004**

##### **Noncompliance Citation**

**Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 2004, Section 10** indicates that 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 Bond Reserve Fund. Whenever disbursements are made from this fund, monthly payments in the amount of \$124 shall be made until the Bond Reserve Requirement is again accumulated in that fund.

During 2014 and 2015, the Fiscal Officer did not make the \$124 monthly payment to the Enterprise Debt Service Fund. This brought down the Enterprise Debt Service Fund's December 31, 2014 fund balance to \$1,100, which is \$13,754 below the required amount of \$14,854. The Debt Service Fund's December 31, 2015 fund balance was still \$1,100, which is \$13,674 below the required amount of \$14,774.

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 be monitored and kept at the Bond Reserve Requirement amount.

**FINDING NUMBER 2015-005**

**Noncompliance Citation**

**Ohio Rev. Code §5705.41(B)** prohibits a subdivision from making an expenditure unless it has been properly appropriated. As of December 31, 2014, the Sewer Fund had disbursements plus year-end encumbrances (\$85,886) in excess of appropriations plus carry-over appropriations (\$79,000).

Management did not sufficiently monitor budget versus actual reports to ensure disbursements did not exceed Council approved appropriations.

Disbursements in excess of appropriations may result in deficit spending. We recommend disbursements and appropriations be reviewed frequently by Council and the necessary adjustments be made to reduce the possibility of disbursements exceeding appropriations. These adjustments should be formally approved by Council in the minutes and the Fiscal Officer should only make amendments to the appropriations ledger based on these formally documented approvals.

**FINDING NUMBER 2015-006**

**Noncompliance Citation**

**Internal Revenue Code Chapter 21** describes procedures for withholding and remitting Federal tax and Medicare for employees. Medicare is required to be withheld from wages of employees hired on or after April 1, 1986.

Amounts were withheld from payroll checks for Medicare. The Medicare is to be remitted once a year to the Internal Revenue Service (IRS).

In prior audits, the Fiscal Officer issued the following checks to the Internal Revenue Service for amounts in excess of what was owed to the IRS resulting in over payments to the IRS in the prior audits and nothing has yet to be inquired as to getting those overpayment back from the IRS.

<b>Payee</b>	<b>Period Withheld</b>	<b>Date Paid</b>	<b>Amount Due</b>	<b>Amount Paid</b>	<b>Over / (Under) Paid</b>
IRS	1/1/08 - 12/31/08	6/15/2012	\$361.40	\$1,906.38	\$1,544.98
IRS	1/1/09 - 12/31/09	6/15/2012	360.32	1,900.26	1,539.94
IRS	1/1/10 - 12/31/10	2/28/2011	361.96	361.80	(0.16)
IRS	1/1/11 - 12/31/11	6/15/2012	355.40	1,629.52	1,274.12
IRS	1/1/12 - 12/31/12		321.32		(321.32)
IRS	1/1/13 - 12/31/13	6/15/2012	289.48	289.33	(0.15)
IRS	1/1/08 - 12/31/13	4/4/2014		2,657.14	2,657.14
			<u>\$2,049.88</u>	<u>\$8,744.43</u>	<u>\$6,694.55</u>

During the current audit, the correct amounts were remitted for the first 3 quarters of 2014 but there was no amount or paperwork completed for the last quarter of 2014 or for all of 2015. As such, the Fiscal Officer underpaid Medicare by \$351.

We recommend the Fiscal Officer pay the yearly amounts due to the IRS by the due date. We also recommend the Fiscal Officer contact the IRS and take the corrective action to get the refund due. Any correspondence should be maintained on file for audit.

This matter will be referred to the Internal Revenue Service for any action they deem necessary.

#### **FINDING NUMBER 2015-007**

##### **Material Weakness and Noncompliance Citation**

**Ohio Rev. Code § 5705.14**, provides that no transfer can be made from one fund of a subdivision to any other fund, by order of the court or otherwise, with certain limited exceptions. The transfers permitted under **Ohio Rev. Code § 5705.14**, require a resolution passed by a two-thirds vote of the members of the taxing authority, except transfers from the general fund, which require a resolution passed by a simple majority. In addition to the transfers permitted under **Ohio Rev. Code § 5705.14, § 5705.15 and § 5705.16** provide that the taxing authority, with the approval of the Tax Commissioner and the Court of Common Pleas, may, subject to listed exceptions, transfer any public funds from one fund to another.

In 2015, a transfer of \$2,800 was made from the General Fund to the Special Revenue Light Fund to cover applicable costs. This transfer was made without documented approval of Council.

The accompanying financial statements and Village fiscal records have been adjusted to transfer the monies back into the proper funds.

We recommend no transfers be made unless prior approval has been obtained in the form of a resolution authorizing the transfers and/or an approval of the Tax Commissioner and the Court of Common Pleas.

##### **Officials' Response:**

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



**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2013-001	Material weakness over monitoring controls of financial statements.	Not Corrected. Reissued as finding 2015-001 in this report.	There were errors when posting receipts to the UAN system. The Fiscal Officer will review prior audit report, adjustments, reclassifications, and Village Handbook to ensure proper postings in future.
2013-002	Material noncompliance on Ohio Rev. Code, § 5705.39 for appropriations exceeding estimated revenue.	Corrective action taken and finding is fully corrected.	
2013-003	Material noncompliance on Ohio Rev. Code, § 5705.40 for approved appropriations not posted correctly in financial ledgers.	Not Corrected. Reissued as finding 2015-003 in this report.	The Fiscal Officer did not post the correct approved appropriation amount in the system for the Sewer Fund in 2014. The Fiscal Officer will review the appropriations and post budgetary information accordingly.
2013-004	Material noncompliance on Ohio Rev. Code, §5705.41(B) for expenditures exceeding appropriations.	Not Corrected. Reissued as finding 2015-005 in this report. .	The Fiscal Officer did not post the correct approved appropriation amount in the system for the Sewer Fund in 2014 which would have detected insufficient appropriations for Sewer Expenditures. The Fiscal Officer will review the appropriations and post budgetary information accordingly.
2013-005	Material weakness for untimely posting to the Uniform Accounting System	Corrective action taken and finding is fully corrected.	
2013-006	Material weakness for cash reconciliations containing significant unresolved reconciling items.	Corrective action taken and finding is fully Corrected.	
2013-007	Material weakness for not posting approved estimated resources to the system.	Corrective action taken and finding is fully corrected.	

**VILLAGE OF WEST LEIPSIC  
PUTNAM COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

2013-008	Ohio Rev. Code § 5705.36 for not submitting a certificate of total amounts from all sources available for expenditure with the Budget Commission	Corrective action taken and finding is fully corrected.	
2013-009	Internal Revenue Code Chapter 26 describes procedures for withholding and remitting Federal tax and Medicare for employees for not remitting proper amounts.	Not Corrected. Reissued as finding 2015-006 in this report.	Attempts have been made by the Fiscal Officer to contact the Internal Revenue Service but has been put on hold and has not gotten through to anyone to correct this issue. She will attempt to call again and get this resolved.
2013-010	Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 2004, Section 10, for insufficient Sewer fund balance.	Not Corrected. Reissued as finding 2015-004 in this report.	The Enterprise fund balance in the past has not been large enough to cover the monthly payments. The Fiscal Officer will attempt to make these payments as the Sewer Fund balance grows.



# 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  
JANUARY 19, 2017