

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
**FINANCIAL STATEMENTS**  
*Years Ended December 31, 2009*





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Leipsic, Putnam County, prepared by Steyer & Co., for the audit period January 1, 2009 through December 31, 2009. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

October 19, 2010

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**INDEPENDENT AUDITOR'S REPORT**

Village of Leipsic  
Putnam County, Ohio

To the Village Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village), as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the Village prepares its financial statements on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position – cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio, as of December 31, 2009, and the respective changes in financial position – cash basis and the respective budgetary comparison for the General Fund and Fire Fund, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 21, 2010, on our consideration of the Village's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

A handwritten signature in cursive script that reads "Steyer & Co." with a period at the end.

STEYER & CO.  
Certified Public Accountants  
Defiance, Ohio  
July 21, 2010

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
UNAUDITED**

This discussion and analysis of the Village of Leipsic's (the Village's) financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2009, within the limitations of the Village's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Village's financial performance.

**Highlights**

Key highlights for 2009 are as follows:

Net assets of governmental activities increased \$57,687, or 14%, from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which had a large increase due to notes issued and less disbursements in capital outlay.

The Village's general receipts, other than the issuance of notes, are primarily municipal income taxes. These receipts represent 33% of the total cash received for governmental activities during the year. Income tax receipts for 2009 decreased 43% compared to 2008 indicative of decreased earnings within the Village of Leipsic.

The Water Fund, the Water Debt Service Fund, the Sanitary Sewer Fund, the Wastewater Debt Fund, the Reservoir Fund, and the Reservoir Debt Fund, the Village of Leipsic's major business-type activities, realized changes in net assets of an increase of 7,245%, an increase of 65%, a decrease of 81%, an increase of 42%, a decrease of 13%, and a decrease of 166%, respectively. The majority of these changes are due to decreases in operating receipts, intergovernmental receipts, contractual services, capital outlay, and bonds issued.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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



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

**Reporting the Government as a Whole**

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

The statement of net assets and the statement of activities reflect how the Village did financially during 2009, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Village at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or business-type activity draws from the Village's general receipts.

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

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

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

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

**Reporting the Village's Most Significant Funds**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2009  
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Governmental Funds – Most of the Village's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Village's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Village's programs. The Village's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Village's major governmental funds are the General Fund, Fire Fund, and Blighted Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

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

**The Village as a Whole**

Table 1 provides a summary of the Village's net assets for 2009 compared to 2008 on a cash basis:

(Table 1)  
**Net Assets**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
<b>Assets</b>						
Cash & cash equivalents	\$ 48,612	\$ 221,793	\$ 61	\$ 66,037	\$ 48,673	\$ 287,830
Internal balances	(390,876)	(621,744)	390,876	621,744	-	-
Restricted assets:						
Cash & cash equivalents	-	-	158,320	157,687	158,320	157,687
Total Assets	<u>\$ (342,264)</u>	<u>\$ (399,951)</u>	<u>\$ 549,257</u>	<u>\$ 845,468</u>	<u>\$ 206,993</u>	<u>\$ 445,517</u>
<b>Net Assets</b>						
Unrestricted	\$ (424,097)	\$ (739,205)	\$ 549,257	\$ 845,568	\$ 125,160	\$ 106,263
Restricted for:						
Capital projects	(59,180)	208,029	-	-	(59,180)	208,029
Other purposes	141,013	131,225	-	-	141,013	131,225
Total Net Assets	<u>\$ (342,264)</u>	<u>\$ (399,951)</u>	<u>\$ 549,257</u>	<u>\$ 845,468</u>	<u>\$ 206,993</u>	<u>\$ 445,517</u>

As mentioned previously, net assets of governmental activities increased \$57,687 or 14% during 2009. The primary reasons contributing to the increases in cash balances are as follows:

- The Village did a better job of anticipating revenues and controlling expenditures.

Table 2 reflects the changes in net assets on a cash basis in 2009 and 2008 for governmental activities, business-type activities, and total primary government.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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(Table 2)  
**Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>RECEIPTS:</b>						
<b>PROGRAM RECEIPTS:</b>						
Charges for services and sales	\$ 51,900	\$ 124,161	\$ 1,507,528	\$ 1,531,422	\$1,559,428	\$1,655,583
Capital grants and contributions	<u>221,626</u>	<u>262,458</u>	<u>146,219</u>	<u>960,564</u>	<u>367,845</u>	<u>1,223,022</u>
Total program receipts	<u>273,526</u>	<u>386,619</u>	<u>1,653,747</u>	<u>2,491,986</u>	<u>1,927,273</u>	<u>2,878,605</u>
<b>GENERAL RECEIPTS:</b>						
Property and other local taxes	279,904	263,650	35,998	71,996	315,902	335,646
Income taxes	1,410,343	2,494,944	-	-	1,410,343	2,494,944
Grants and entitlements not restricted to specific programs	217,066	1,137,654	-	2,173	217,066	1,139,827
Special assessments	535,337	535,260	-	-	535,337	535,260
Sale of capital assets	-	79,082	-	-	-	79,082
Bonds issued	-	-	-	7,650,000	-	7,650,000
Notes issued	1,725,000	-	7,600,050	1,400,000	9,325,050	1,400,000
Fines, licenses and permits	11,336	12,948	164,905	36,664	176,241	49,612
Interest	182	5,120	992	15,509	1,174	20,629
Miscellaneous	<u>59,589</u>	<u>401,378</u>	<u>165</u>	<u>158,155</u>	<u>59,754</u>	<u>559,533</u>
Total general receipts	<u>4,238,757</u>	<u>4,930,036</u>	<u>7,802,110</u>	<u>9,334,497</u>	<u>12,040,867</u>	<u>14,264,533</u>
Total receipts	<u>4,512,283</u>	<u>5,316,655</u>	<u>9,455,857</u>	<u>11,826,483</u>	<u>13,968,140</u>	<u>17,143,138</u>
<b>DISBURSEMENTS:</b>						
General government	400,985	593,953	-	-	400,985	593,953
Security of persons and property	387,375	361,895	-	-	387,375	361,895
Public health services	787	1,368	-	-	787	1,368
Leisure time activities	85,719	99,922	-	-	85,719	99,922
Community environment	191,208	63,529	-	-	191,208	63,529
Basic utility services	15,856	-	-	-	15,856	-
Transportation	285,493	336,749	640	2,698	286,133	339,447
Contractual services	49,241	49,494	519,807	743,661	569,048	793,155
Supplies and materials	138	-	129,029	161,952	129,167	161,952
Capital outlay	583,466	1,715,237	117,883	2,426,972	701,349	4,142,209
Debt service:						
Redemption of principal	1,725,000	454,000	8,484,872	8,367,206	10,209,872	8,821,206
Interest and other fiscal charges	67,606	120,350	546,752	602,616	614,358	722,966
Issuance costs	-	-	-	50,000	-	50,000
Personal services	-	-	614,807	613,428	614,807	613,428
Total disbursements	<u>3,792,874</u>	<u>3,796,497</u>	<u>10,413,790</u>	<u>12,968,533</u>	<u>14,206,664</u>	<u>16,765,030</u>
Excess (deficiency) before transfers	719,409	1,520,158	(957,933)	(1,142,050)	(238,524)	378,108
Transfers	<u>(661,722)</u>	<u>(1,437,708)</u>	<u>661,722</u>	<u>1,437,708</u>	-	-
Increase (decrease) in net assets	57,687	82,450	(296,211)	295,658	(238,524)	378,108
Net assets, January 1, 2009	<u>(399,951)</u>	<u>(482,401)</u>	<u>845,468</u>	<u>549,810</u>	<u>445,517</u>	<u>67,409</u>
Net assets, December 31, 2009	<u>\$ (342,264)</u>	<u>\$ (399,951)</u>	<u>\$ 549,257</u>	<u>\$ 845,468</u>	<u>\$ 206,993</u>	<u>\$ 445,517</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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UNAUDITED**

Program receipts represent only 14% of total receipts and are primarily comprised of water and sewer user fees. Intergovernmental receipts such as state grants as well as EMS rent and shelter house rent are also included in program receipts.

General receipts represent 86% of the Village's total receipts, and of this amount, 77% are from the issuance of notes, and 14% are local taxes. Other receipts are very insignificant and somewhat unpredictable revenue sources.

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

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

**Governmental Activities**

If you look at the Statement of Activities on page 11, you will see that the first column lists the major services provided by the Village. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for redemption of principal on debt service, capital improvements, and general government, which account for 45%, 15% and 11% of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Village that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)  
**Governmental Activities**

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
General government	\$ 400,985	\$ 146,729	\$ 593,953	\$ 235,703
Security of persons and property	387,375	372,375	361,895	361,895
Public health services	787	(2,813)	1,368	(2,232)
Leisure time activities	85,719	85,049	99,922	75,153
Community environment	191,208	191,208	63,529	63,529
Basic utility services	15,856	15,856	-	-
Transportation	285,493	285,493	336,749	336,749
Contractual services	49,241	49,241	49,494	49,494
Supplies and materials	138	138	-	-
Capital outlay	583,466	583,466	1,715,237	1,715,237
Redemption of principal	1,725,000	1,725,000	454,000	454,000
Interest and other fiscal charges	67,606	67,606	120,350	120,350
<b>Total expenses</b>	<b>\$ 3,792,874</b>	<b>\$ 3,519,348</b>	<b>\$ 3,796,497</b>	<b>\$ 3,409,878</b>

The dependence upon property and income tax receipts is apparent as over 93% of governmental activities are supported through these general receipts.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Business-Type Activities**

The Village of Leipsic has four major business-type activities, the provision of water, sewer, railroad, and reservoir, which are accounted for in the Water Fund, Water Debt Fund, Sanitary Sewer Fund, Wastewater Debt Fund, Railroad Fund, Reservoir Fund, and Reservoir Debt Fund. Charges for services support 14% and capital grants and contributions support 1% of the business-type activity disbursements.

**The Government's Funds**

Total governmental funds had receipts and other financing sources of \$4,817,523 and disbursements and other financing uses of \$4,759,836. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$315,108 due to the issuance of notes and less disbursements in capital outlay.

Other Governmental Funds receipts were less than disbursements by \$336,396, indicating that these funds are in a deficit spending situation. Management feels that short term deficit spending is acceptable based upon the fund balance but will continue to look for cost cutting measures as personal property tax and intergovernmental revenues are expected to decrease in the future.

**General Fund Budgeting Highlights**

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

During 2009, the Village amended its General Fund budget to reflect changing circumstances. Final budgeted receipts and other financing sources were the same as original budgeted receipts. Actual receipts were \$1,450,571 higher than budgeted, mostly due to the issuance of notes.

Final disbursements and other financing uses were budgeted at \$2,770,545 while actual disbursements were \$3,917,929. The Village spent over budget in areas of community environment, debt service principal and interest, capital outlay and general government. The overall result was an increase in fund balance of \$299,392 for 2009.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2009, the Village's outstanding debt included \$14,158,532 in Ohio Water Development Authority (OWDA) loans for acquisition and improvements to wastewater facilities, \$250,817 in Ohio Public Works Commission (OPWC) loans for improvements to sewer utility services, \$575,000 in a bank loan, \$761,538 in a Ohio Rail Development Commission loan for construction of rail lines, \$758,000 for development bonds, \$1,380,000 for water system improvements bonds, and \$2,058,000 for a waterworks system mortgage revenue bond. For further information regarding the Village's debt, refer to Note 11 in the basic financial statements.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Current Issues**

The challenge for all villages is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes. The Village of Leipsic is constantly looking at ways to cut costs without cutting services. Disbursements were decreased by 15% in 2009 compared to 2008. Unfortunately, receipts also decreased by 19%. The overall net assets decreased 163% which caused several fund balances to become negative at year end. Due to the negative fund balances and the Village's inability to make all of the debt payments timely, the Auditor of State's Office is currently performing a fiscal analysis on our financial position.

**Contacting the Village's Financial Management**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF NET ASSETS - CASH BASIS  
December 31, 2009**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Equity in pooled cash and cash equivalents	\$ 48,612	\$ 61	\$ 48,673
Internal balances	(390,876)	390,876	-
Restricted assets:			
Equity in pooled cash and cash equivalents	<u>-</u>	<u>158,320</u>	<u>158,320</u>
Total assets	<u>\$ (342,264)</u>	<u>\$ 549,257</u>	<u>\$ 206,993</u>
 <b>NET ASSETS</b>			
Restricted for:			
Capital projects	\$ (59,180)	\$ -	\$ (59,180)
Other purposes	141,013	-	141,013
Unrestricted	<u>(424,097)</u>	<u>549,257</u>	<u>125,160</u>
Total net assets	<u>\$ (342,264)</u>	<u>\$ 549,257</u>	<u>\$ 206,993</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF ACTIVITIES - CASH BASIS  
For The Year Ended December 31, 2009**

	Program Cash Receipts			Net (Disbursements) Receipts & Changes in Net Assets		
	Cash Disbursements	Charges for Services and Sales	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>						
General government	\$ 400,985	\$ 32,630	\$ 221,626	\$ (146,729)	\$ -	\$ (146,729)
Security of persons and property	387,375	15,000	-	(372,375)	-	(372,375)
Public health services	787	3,600	-	2,813	-	2,813
Leisure time activities	85,719	670	-	(85,049)	-	(85,049)
Community environment	191,208	-	-	(191,208)	-	(191,208)
Basic utility services	15,856	-	-	(15,856)	-	(15,856)
Transportation	285,493	-	-	(285,493)	-	(285,493)
Contractual services	49,241	-	-	(49,241)	-	(49,241)
Supplies and materials	138	-	-	(138)	-	(138)
Capital outlay	583,466	-	-	(583,466)	-	(583,466)
Debt service:						
Redemption of principal	1,725,000	-	-	(1,725,000)	-	(1,725,000)
Interest and other fiscal changes	67,606	-	-	(67,606)	-	(67,606)
Total governmental activities	<u>3,792,874</u>	<u>51,900</u>	<u>221,626</u>	<u>(3,519,348)</u>	<u>-</u>	<u>(3,519,348)</u>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Water	666,028	621,466	146,219	-	101,657	101,657
Sewer	1,232,101	825,708	-	-	(406,393)	(406,393)
Railroad	166,769	-	-	-	(166,769)	(166,769)
Reservoir	8,348,892	60,354	-	-	(8,288,538)	(8,288,538)
Total business-type activities	<u>10,413,790</u>	<u>1,507,528</u>	<u>146,219</u>	<u>-</u>	<u>(8,760,043)</u>	<u>(8,760,043)</u>
Total	<u>\$ 14,206,664</u>	<u>\$ 1,559,428</u>	<u>\$ 367,845</u>	<u>\$ (3,519,348)</u>	<u>\$ (8,760,043)</u>	<u>\$ (12,279,391)</u>
<b>GENERAL RECEIPTS</b>						
Property taxes levied for general purposes				\$ 279,904	\$ 35,998	\$ 315,902
Municipal income taxes				1,410,343	-	1,410,343
Grants & entitlements not restricted to specific programs				217,066	-	217,066
Special assessments				535,337	-	535,337
Notes issued				1,725,000	7,600,050	9,325,050
Fines, licenses and permits				11,336	164,905	176,241
Interest				182	992	1,174
Miscellaneous				<u>59,589</u>	<u>165</u>	<u>59,754</u>
Total General Receipts				4,238,757	7,802,110	12,040,867
Transfers				<u>(661,722)</u>	<u>661,722</u>	<u>-</u>
Total General Receipts & Transfers				<u>3,577,035</u>	<u>8,463,832</u>	<u>12,040,867</u>
Change in Net Assets				57,687	(296,211)	(238,524)
Net Assets Beginning of Year				<u>(399,951)</u>	<u>845,468</u>	<u>445,517</u>
Net Assets End of Year				<u>\$ (342,264)</u>	<u>\$ 549,257</u>	<u>\$ 206,993</u>

See accompanying notes to the basic financial statements.



**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2009**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Blighted Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Equity in pooled cash and cash equivalents	\$ -	\$ 38,047	\$ -	\$ 10,565	\$ 48,612
Interfund receivable	-	128,426	245,596	-	374,022
Total assets	<u>\$ -</u>	<u>\$ 166,473</u>	<u>\$ 245,596</u>	<u>\$ 10,565</u>	<u>\$ 422,634</u>
<b>LIABILITIES</b>					
Interfund payable	\$ 424,097	-	-	\$ 340,801	\$ 764,898
Total liabilities	<u>424,097</u>	<u>-</u>	<u>-</u>	<u>340,801</u>	<u>764,898</u>
<b>FUND BALANCES</b>					
Reserved:					
Reserved for encumbrances	15,716	1,702	-	9,077	26,495
Unreserved:					
Undesignated (deficit), reported in:					
General fund	(439,813)	-	-	-	(439,813)
Special revenue funds	-	164,771	-	(32,977)	131,794
Capital projects funds	-	-	245,596	(306,336)	(60,740)
Total fund balances	<u>(424,097)</u>	<u>166,473</u>	<u>245,596</u>	<u>(330,236)</u>	<u>(342,264)</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 166,473</u>	<u>\$ 245,596</u>	<u>\$ 10,565</u>	<u>\$ 422,634</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2009**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Blighted Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>RECEIPTS</b>					
Municipal income taxes	\$ 1,410,343	\$ -	\$ -	\$ -	\$ 1,410,343
Property and other local taxes	201,609	78,295	-	-	279,904
Charges for services	19,270	32,630	-	-	51,900
Fines, licenses and permits	11,143	-	-	193	11,336
Intergovernmental	257,820	4,191	-	176,681	438,692
Special assessments	535,337	-	-	-	535,337
Interest	-	66	98	18	182
Miscellaneous	56,799	796	-	1,994	59,589
Total receipts	<u>2,492,321</u>	<u>115,978</u>	<u>98</u>	<u>178,886</u>	<u>2,787,283</u>
<b>DISBURSEMENTS</b>					
Current:					
General governmental	400,985	-	-	-	400,985
Security of persons and property	309,184	77,946	-	245	387,375
Public health services	787	-	-	-	787
Leisure time activities	85,719	-	-	-	85,719
Community environment	191,208	-	-	-	191,208
Basic utility services	15,127	-	-	729	15,856
Transportation	-	-	-	285,493	285,493
Supplies and materials	-	-	-	138	138
Contractual services	-	-	245	48,996	49,241
Capital outlay	139,635	-	550	443,281	583,466
Debt service:					
Redemption of principal	1,725,000	-	-	-	1,725,000
Interest and other fiscal charges	67,606	-	-	-	67,606
Total disbursements	<u>2,935,251</u>	<u>77,946</u>	<u>795</u>	<u>778,882</u>	<u>3,792,874</u>
Excess of receipts over (under) disbursements	<u>(442,930)</u>	<u>38,032</u>	<u>(697)</u>	<u>(599,996)</u>	<u>(1,005,591)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Notes issued	1,725,000	-	-	-	1,725,000
Transfers in	-	-	41,640	263,600	305,240
Transfers out	<u>(966,962)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(966,962)</u>
Total other financing sources (uses)	<u>758,038</u>	<u>-</u>	<u>41,640</u>	<u>263,600</u>	<u>1,063,278</u>
Net change in fund balances	315,108	38,032	40,943	(336,396)	57,687
Fund balances beginning of year	<u>(739,205)</u>	<u>128,441</u>	<u>204,653</u>	<u>6,160</u>	<u>(399,951)</u>
Fund balances end of year	<u>\$ (424,097)</u>	<u>\$ 166,473</u>	<u>\$ 245,596</u>	<u>\$ (330,236)</u>	<u>\$ (342,264)</u>

See accompanying notes to the basic financial statements.

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

*For the Year Ended December 31, 2009*

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>RECEIPTS</b>				
Municipal income taxes	\$ 2,300,000	\$ 2,300,000	\$ 1,410,343	\$ (889,657)
Property and other local taxes	190,600	190,600	201,609	11,009
Charges for services	27,850	27,850	19,270	(8,580)
Fines, licenses and permits	14,200	14,200	11,143	(3,057)
Intergovernmental	140,100	140,100	257,820	117,720
Special assessments	-	-	535,337	535,337
Interest	40,000	40,000	-	(40,000)
Miscellaneous	49,000	49,000	56,799	7,799
Total receipts	2,761,750	2,761,750	2,492,321	(269,429)
<b>DISBURSEMENTS</b>				
Current:				
General governmental	379,370	377,770	410,919	(33,149)
Security of persons and property	351,600	380,600	312,804	67,796
Public health services	1,800	1,800	787	1,013
Leisure time activities	124,875	124,875	87,881	36,994
Community environment	20,500	2,500	191,208	(188,708)
Basic utility services	-	18,000	15,127	2,873
Capital outlay	100,000	100,000	139,635	(39,635)
Debt service:				
Redemption of principal	340,000	340,000	1,725,000	(1,385,000)
Interest and other fiscal charges	-	-	67,606	(67,606)
Total disbursements	1,318,145	1,345,545	2,950,967	(1,605,422)
Excess of receipts over (under) disbursements	1,443,605	1,416,205	(458,646)	(1,874,851)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	5,000	5,000	-	(5,000)
Notes issued	-	-	1,725,000	1,725,000
Transfers out	(1,425,000)	(1,425,000)	(966,962)	458,038
Other financing uses	(1,000)	-	-	-
Total other financing sources (uses)	(1,421,000)	(1,420,000)	758,038	2,178,038
Net change in fund balance	22,605	(3,795)	299,392	303,187
Fund balance beginning of year	(767,926)	(767,926)	(767,926)	-
Prior year encumbrances appropriated	28,721	28,721	28,721	-
Fund balance end of year	\$ (716,600)	\$ (743,000)	\$ (439,813)	\$ 303,187

*See accompanying notes to the basic financial statements.*

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

*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>RECEIPTS</b>				
Property and other local taxes	\$ 83,300	\$ 83,300	\$ 78,295	\$ (5,005)
Charges for services	35,000	35,000	32,630	(2,370)
Intergovernmental	3,000	3,000	4,191	1,191
Interest	-	3,000	66	(2,934)
Miscellaneous	7,500	4,600	796	(3,804)
Total receipts	<u>128,800</u>	<u>128,900</u>	<u>115,978</u>	<u>(12,922)</u>
<b>DISBURSEMENTS</b>				
Current:				
Security of persons and property	<u>101,500</u>	<u>101,500</u>	<u>79,648</u>	<u>21,852</u>
Total disbursements	101,500	101,500	79,648	21,852
Excess of receipts over (under) disbursements	<u>27,300</u>	<u>27,400</u>	<u>36,330</u>	<u>8,930</u>
Net change in fund balance	27,300	27,400	36,330	8,930
Fund balance beginning of year	126,603	126,603	126,603	-
Prior year encumbrances appropriated	<u>1,838</u>	<u>1,838</u>	<u>1,838</u>	<u>-</u>
Fund balance end of year	<u>\$ 155,741</u>	<u>\$ 155,841</u>	<u>\$ 164,771</u>	<u>\$ 8,930</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
December 31, 2009**

	<b>Business-Type Activities</b>						<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
	<b>Water Fund</b>	<b>Water Debt Service</b>	<b>Sanitary Sewer Fund</b>	<b>Wastewater Debt Fund</b>	<b>Reservoir Fund</b>	<b>Reservoir Debt Fund</b>		
<b>ASSETS</b>								
Equity in pooled cash & cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61	\$ 61
Interfund receivable	61,918	367,110	-	92,341	128,171	-	-	649,540
Restricted assets:								
Equity in pooled cash & cash equivalents:	<u>-</u>	<u>-</u>	<u>158,320</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>158,320</u>
Total assets	<u>\$ 61,918</u>	<u>\$ 367,110</u>	<u>\$ 158,320</u>	<u>\$ 92,341</u>	<u>\$ 128,171</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 807,921</u>
<b>LIABILITIES</b>								
Interfund payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,896</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 98,373</u>	<u>\$ 62,395</u>	<u>258,664</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>97,896</u>	<u>-</u>	<u>-</u>	<u>98,373</u>	<u>62,395</u>	<u>258,664</u>
<b>NET ASSETS</b>								
Unrestricted	<u>61,918</u>	<u>367,110</u>	<u>60,424</u>	<u>92,341</u>	<u>128,171</u>	<u>(98,373)</u>	<u>(62,334)</u>	<u>549,257</u>
Total liabilities and net assets	<u>\$ 61,918</u>	<u>\$ 367,110</u>	<u>\$ 158,320</u>	<u>\$ 92,341</u>	<u>\$ 128,171</u>	<u>\$ -</u>	<u>\$ 61</u>	<u>\$ 807,921</u>

*See accompanying notes to the basic financial statements.*

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

*For the Year Ended December 31, 2009*

	<b>Business-Type Activities</b>							
	<b>Water Fund</b>	<b>Water Debt Service</b>	<b>Sanitary Sewer Fund</b>	<b>Wastewater Debt Fund</b>	<b>Reservoir Fund</b>	<b>Reservoir Debt Fund</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>OPERATING RECEIPTS</b>								
Charges for services	\$ 484,906	\$ 136,560	\$ 309,715	\$ 515,993	\$ 60,354	\$ -	\$ -	\$ 1,507,528
Fines, license and permits	9,030	-	2,200	-	-	-	153,675	164,905
Miscellaneous	38	-	127	-	-	-	-	165
Total operating receipts	<u>493,974</u>	<u>136,560</u>	<u>312,042</u>	<u>515,993</u>	<u>60,354</u>	<u>-</u>	<u>153,675</u>	<u>1,672,598</u>
<b>OPERATING DISBURSEMENTS</b>								
Personal services	322,852	-	271,984	-	15,698	-	4,273	614,807
Travel transportation	315	-	325	-	-	-	-	640
Contractual services	120,101	-	300,376	-	83,869	-	15,461	519,807
Supplies and materials	83,404	-	42,311	-	615	-	2,699	129,029
Capital outlay	756	-	36,252	-	-	-	80,875	117,883
Total operating disbursements	<u>527,428</u>	<u>-</u>	<u>651,248</u>	<u>-</u>	<u>100,182</u>	<u>-</u>	<u>103,308</u>	<u>1,382,166</u>
Operating income (loss)	(33,454)	136,560	(339,206)	515,993	(39,828)	-	50,367	290,432
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS)</b>								
Property and other local taxes	-	-	-	35,998	-	-	-	35,998
Intergovernmental	-	146,219	-	-	-	-	-	146,219
Notes issued	-	-	-	-	-	7,600,050	-	7,600,050
Earnings on investments	29	108	695	9	57	67	27	992
Principal payments	-	(34,000)	-	(497,410)	-	(7,890,001)	(63,461)	(8,484,872)
Interest and fiscal charges	-	(104,600)	-	(83,443)	-	(358,709)	-	(546,752)
Total non-operating receipts (disbursements)	<u>29</u>	<u>7,727</u>	<u>695</u>	<u>(544,846)</u>	<u>57</u>	<u>(648,593)</u>	<u>(63,434)</u>	<u>(1,248,365)</u>
Income (loss) before transfers	(33,425)	144,287	(338,511)	(28,853)	(39,771)	(648,593)	(13,067)	(957,933)
Transfer in	94,500	-	86,690	56,000	20,738	400,294	3,500	661,722
Change in net assets	61,075	144,287	(251,821)	27,147	(19,033)	(248,299)	(9,567)	(296,211)
Net assets beginning of year	843	222,823	312,245	65,194	147,204	149,926	(52,767)	845,468
Net assets end of year	<u>\$ 61,918</u>	<u>\$ 367,110</u>	<u>\$ 60,424</u>	<u>\$ 92,341</u>	<u>\$ 128,171</u>	<u>\$ (98,373)</u>	<u>\$ (62,334)</u>	<u>\$ 549,257</u>

*See accompanying notes to the basic financial statements.*

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 1 – REPORTING ENTITY**

The Village of Leipsic, Putnam County, Ohio (the Village), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council.

**A. Primary Government**

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

**B. Component Units**

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

**C. Public Entity Risk Pools**

The Village participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity.

The organization is the Public Entities Pool of Ohio.

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

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

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

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED DECEMBER 31, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

B. Fund Accounting

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

Government Funds

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

- The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.
- The Fire Fund accounts for activity in the area of security of persons and property.
- The Blighted Fund accounts for the capital expenditures made on properties throughout the Village that are in ruins.

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



**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Proprietary Funds

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

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

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

Water Debt Service Fund – The water debt service fund accounts for the debt issues relating to the waterworks system.

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

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

Reservoir Fund – The reservoir fund accounts for the provision of raw water services to industrial users within the Village.

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

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
*FOR THE YEAR ENDED DECEMBER 31, 2009*

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**E. Cash and Investments**

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

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

During 2009, the Village held a non-negotiable certificate of deposit. It is reported at the amount the Village has recorded as of December 31, 2009.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. There were no interest receipts credited to the General Fund during 2009.

**F. Inventory and Prepaid Items**

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

**G. Capital Assets**

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

**H. Accumulated Leave**

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

**I. Employer Contributions to Cost-Sharing Pension Plans**

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

**J. Long-Term Obligations**

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

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for capital expenditures such as land and land improvements, street improvements, and police and fire equipment.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**L. Fund Balance Reserves**

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

**M. Interfund Transactions**

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

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

**NOTE 3 – COMPLIANCE**

**A. Compliance**

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

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. There were forty-six instances of deficit fund balances throughout 2009 in amounts ranging from \$1,233 to \$842,964.

2. Ohio Revised Code § 5705.41(B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds at year end:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
December 31, 2009:			
General	\$ 2,970,595	\$ 3,739,312	\$ (768,717)
Street Construction	\$ 343,600	\$ 374,060	\$ (30,460)
Economic Development	\$ 15,225	\$ 18,187	\$ (2,962)
Waste Water	\$ 582,750	\$ 656,811	\$ (74,061)
Railroad	\$ 31,000	\$ 103,308	\$ (72,308)
Railroad Debt	\$ 52,900	\$ 63,462	\$ (10,562)

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

**VILLAGE OF LEIPSIC  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 3 – COMPLIANCE (CONTINUED)**

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

<u>Fund</u>	<u>Unencumbered Fund Balance Plus Actual Receipts</u>	<u>Appropriation</u>	<u>Variance</u>
Street Construction	\$ 336,715	\$ 343,600	\$ (6,885)
CDBG Formula Grants & Issue II Grants	79,753	384,575	(304,822)
Wastewater Fund	550,336	582,750	(32,414)
Reservoir Debt Fund	550,287	648,700	(98,413)

4. Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

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

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

Five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. One of these transactions did not have proper approval by the Village Administrator, either. In addition, the Village had \$57,991 in outstanding purchase commitments at December 31, 2009 that were not certified until 2010. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

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

The annual report was timely filed with the Auditor of State, but as we reviewed the report, we noticed that it was significantly deficient. The report did not foot, crossfoot, or match the computerized books of the Village.

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 3 – COMPLIANCE (CONTINUED)**

6. Ohio Revised Code §5705.09 states the requirements for establishing funds. New funds should be approved by Council resolution. We noted that two funds, the Reservoir Fund and the Reservoir Debt Fund, were established in 2008 and used during 2009, but Council never approved these Enterprise Funds by Resolution. This allowed revenue totaling \$8,081,560 and expenditures totaling \$8,348,892 to be moved in and out of unauthorized funds.
7. Ohio Revised Code §9.24(A), (B), (D), (E), and (G) states that no political subdivision shall award a contract for goods, services, or construction, paid for in whole or in part with state funds, to a person against whom a finding for recovery has been issued by the Auditor of State, if the finding for recovery is unresolved. We noted during testing that contracts were awarded during 2009; however, the Village did not verify that the bidder did not have a finding for recovery issued by the Auditor of State's office.
8. Ohio Revised Code §5705.39 provides that appropriations from each fund shall not exceed estimated revenue available for expenditures.

Appropriations exceeded estimated revenues in the following funds at December 31, 2009.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Economic Development	\$ 3,123	\$ 15,225	\$ (12,102)
Wastewater Debt Fund	\$ 539,694	\$ 580,900	\$ (41,206)

**NOTE 4 – BUDGETARY BASIS OF ACCOUNTING**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budget Basis presented for the General Fund and Fire Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$15,716 for the General Fund and \$1,702 for the Fire Fund.

**NOTE 5 – DEPOSITS AND INVESTMENTS**

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

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

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

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

**VILLAGE OF LEIPSIC  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 5 – DEPOSITS AND INVESTMENTS (CONTINUED)**

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Village will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$76,361 of the Village's bank balance of \$326,361 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Village's name.

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 6 – INCOME TAXES**

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

**NOTE 7 – PROPERTY TAXES**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2009 represent the collection of 2008 taxes. Real property taxes received in 2009 were levied after October 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35% of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2009 represent the collection of 2008 taxes. Public utility real and tangible personal property taxes received in 2009 became a lien on December 31, 2007, were levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility real property is assessed at 35% of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Village operations for the year ended December 31, 2009, was \$8.35 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	\$ 19,660,080
Commercial/Industrial	7,971,510
Public Utilities	56,270
Tangible Personal Property	
General	114,220
Public Utilities	2,678,980
Total Assessed Values	<u>\$ 30,481,060</u>

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

**NOTE 8 – RISK MANAGEMENT**

**Risk Pool Membership**

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

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2008, 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.

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

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2008 and 2007 (the latest information available):

	2008	2007
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Net Assets	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008 and 2007, respectively, the liabilities above include approximately \$13.8 million and \$15.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$12.9 million and \$15.0 million of unpaid claims to be billed to approximately 445 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$51,000.

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

**Contributions to PEP**

2007	\$	76,128
2008	\$	53,532
2009	\$	42,360



**VILLAGE OF LEIPSIC  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 8 – RISK MANAGEMENT (CONTINUED)**

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

**NOTE 9 – DEFINED BENEFIT PENSION PLANS**

**A. Ohio Public Employees Retirement System**

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

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

**Funding Policy** – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll.

The Village's contribution rate for 2009 was 14 percent. For 2009 a portion of the Village's contribution equal to 7 percent of covered payroll was allocated to fund the postemployment healthcare plan. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate of the Village of 14 percent.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2009, 2008 and 2007, were \$99,129, \$103,929, and \$93,578, respectively. The full amount has been contributed for 2009, 2008 and 2007.

**B. Ohio Police and Fire Pension Fund**

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

**VILLAGE OF LEIPSIC  
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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)**

Funding Policy – Plan members are required to contribute 10% of their annual covered salary to fund pension obligations while the Village is required to contribute 19.5% for police officers. Contributions are authorized by State statute. For 2009, a portion of the Village's contribution equal to 6.75% of covered payroll was allocated to fund the postemployment healthcare plan. The Village's contributions to OP&F for police officers were \$26,932 for the year ended December 31, 2009; \$24,170 for the year ended December 31, 2008; and \$27,112 for the year ended December 31, 2007. The full amount has been contributed for 2008 and 2007. Seventy-eight percent has been contributed for 2009.

**NOTE 10 – POSTEMPLOYMENT BENEFITS**

**A. Ohio Public Employees Retirement System**

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

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

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, local government employers contributed 14 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment healthcare benefits. The amount of the employer contributions which was allocated to fund postemployment healthcare was 7 percent of covered payroll for 2009.

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

The Village's contributions allocated to fund postemployment healthcare benefits for the years ended December 31, 2009, 2008, and 2007 were \$49,494, \$51,964, and \$26,809, respectively. The full amount has been contributed for 2009, 2008 and 2007.

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

**VILLAGE OF LEIPSIC**  
**PUTNAM COUNTY**  
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*FOR THE YEAR ENDED DECEMBER 31, 2009*

**NOTE 10 – POSTEMPLOYMENT BENEFITS (CONTINUED)**

**B. Ohio Police and Fire Pension Fund**

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

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For 2009, a portion of the Village’s contribution equal to 6.75 percent of covered payroll was allocated to fund the postemployment healthcare plan. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

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

The Village’s contributions to OP&F which were allocated to fund postemployment healthcare benefits for police were \$9,391 for the year ended December 31, 2009, \$8,367 for the year ended December 31, 2008, and \$10,825 for the year ended December 31, 2007. The full amount has been contributed for 2009, 2008, and 2007.

**VILLAGE OF LEIPSIC  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 11 – DEBT**

The Village's long-term debt activity for the year ended December 31, 2009, was as follows:

<u>Governmental Activities</u>	<u>Interest Rate</u>	<u>Balance 12-31-08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-09</u>	<u>Due Within 1 Year</u>
Development bond, Series 2007-1	4.42%	431,000	-	-	431,000	220,000
Development bond, Series 2007-2	Variable	327,000	-	-	327,000	-
Current revenue note, Series 2008	Various	575,000	-	575,000	-	-
Current revenue note, Series 2009	4.50%	-	575,000	575,000	-	-
Current revenue note, Series 2009B	4.50%	-	575,000	575,000	-	-
Fort Jennings State Bank Loan #69516	4.50%	-	575,000	-	575,000	575,000
<b>Total Gov. Activities</b>		<b><u>\$ 1,333,000</u></b>	<b><u>\$ 1,725,000</u></b>	<b><u>\$ 1,725,000</u></b>	<b><u>\$ 1,333,000</u></b>	<b><u>\$ 795,000</u></b>

<u>Business-Type Activities</u>	<u>Interest Rate</u>	<u>Balance 12-31-08</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12-31-09</u>	<u>Due Within 1 Year</u>
OWDA #1682	7.89%	\$ 468,223	\$ -	\$ 64,001	\$ 404,222	\$ 69,052
OWDA #2316	4.12%	1,259,031	-	118,180	1,140,851	123,099
OWDA #4620	0.00%	5,143,185	366,076	305,850	5,203,411	287,343
OWDA #5003	5.29%	26,557	7,573,493	190,001	7,410,049	380,003
OPWC #CM725	0.00%	39,719	-	3,310	36,409	6,620
OPWC #CM21B	0.00%	55,605	-	2,648	52,957	5,296
OPWC #CM24D	0.00%	85,500	-	3,420	82,080	6,840
OPWC #CM42M	0.00%	-	79,370	-	79,370	1,984
ORDC	Various	825,000	-	63,462	761,538	126,923
Waterworks system mortgage revenue bonds, Series 1997	5.00%	2,092,000	-	34,000	2,058,000	35,000
Water system Improvement bond, Series 2007	4.75%	1,430,000	-	50,000	1,380,000	50,000
Water system temporary revenue bond, Series 2008	6.46%	7,650,000	-	7,650,000	-	-
<b>Total Bus-Type Activities</b>		<b><u>\$19,074,820</u></b>	<b><u>\$ 8,018,939</u></b>	<b><u>\$ 8,484,872</u></b>	<b><u>\$18,608,887</u></b>	<b><u>\$ 1,092,160</u></b>

The Industrial Development Revenue Bonds, Series 2007, relates to the cost of constructing a natural gas line and an electrical line to the Iron Highway Industrial Park as a part of and in support of the development of an ethanol production facility. Series 2007-1 of the bond will have principal repaid in annual installments of various amounts over 4 years. Interest will be paid in semi-annual installments at a rate of 4.42%. The principal amount of the Series 2007-2 bonds will be repaid in one installment of \$327,000 plus interest at a variable rate.

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 11 – DEBT (CONTINUED)**

The Fort Jennings State Bank Loan #69516 was issued to payoff current revenue notes. This loan will be repaid in one annual installment of \$575,000 plus interest at 4.5%.

The Ohio Water Development Authority (OWDA) loan #1682 relates to the acquisition of wastewater treatment and/or water management. The loan will be repaid in semi-annual installments of \$50,472 including interest, over 25 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Water Development Authority (OWDA) loan #2316 relates to the wastewater treatment plant improvements. The loan will be repaid in semi-annual installments of \$84,967 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 of \$190,001 including interest, over 20 years. Utility system charges are the dedicated source of repayment for this loan.

The Ohio Public Works Commission (OPWC) 0% loans relate to a sewer replacement project, two street storm sewer projects, and a sanitary sewer separation project. The sewer replacement project loan, the street storm sewer loans, and the sanitary sewer separation project loan will be repaid in semi-annual installments of \$3,310, \$3,420, \$1,984, and \$2,648, 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 Ohio Rail Development Commission loan relates to the construction of new rail tracks and turnouts to the Iron Highway Industrial Park and to commence tri-rail services to the ethanol plant. The loan will be repaid in monthly installments of \$10,577 from July 1, 2009 through December 31, 2010. The next 60 payments will be for \$11,309 including interest.

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

Year	OWDA Loans		OPWC Loans		Water System Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 859,497	\$ 461,010	\$ 20,740	\$ -	\$ 50,000	\$ 65,550
2011	870,069	430,950	22,725	-	55,000	63,175
2012	881,284	400,296	22,725	-	55,000	60,563
2013	893,185	369,008	22,725	-	60,000	57,950
2014	905,828	337,035	22,725	-	60,000	55,100
2015-2019	3,808,665	1,265,860	83,831	-	350,000	225,113
2020-2024	3,336,728	728,702	33,522	-	435,000	131,585
2025-2029	2,603,277	226,149	19,839	-	315,000	29,440
2030-2034	-	-	1,984	-	-	-
Totals	<u>\$14,158,533</u>	<u>\$4,219,010</u>	<u>\$ 250,816</u>	<u>\$ -</u>	<u>\$ 1,380,000</u>	<u>\$ 688,476</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 11 – DEBT (CONTINUED)**

Year	Waterworks Bond		Rail Development Note		Development Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 35,000	\$ 102,900	\$ 126,923	\$ -	\$ 220,000	\$ 14,188
2011	37,000	101,150	120,253	15,460	538,000	4,663
2012	39,000	99,300	123,499	12,214	-	-
2013	41,000	97,350	126,833	8,880	-	-
2014	43,000	95,300	130,257	5,456	-	-
2015-2019	249,000	442,100	133,773	1,940	-	-
2020-2024	316,000	373,500	-	-	-	-
2025-2029	405,000	286,000	-	-	-	-
2030-2034	517,000	174,050	-	-	-	-
2035-2039	376,000	38,250	-	-	-	-
Totals	<u>\$2,058,000</u>	<u>\$1,809,900</u>	<u>\$ 761,538</u>	<u>\$ 43,950</u>	<u>\$ 758,000</u>	<u>\$ 18,851</u>

Year	Bank Loan	
	Principal	Interest
2010	\$ 575,000	\$ 567
Totals	<u>\$ 575,000</u>	<u>\$ 567</u>

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5% of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5% of its tax valuation. The effects of the debt limitations at December 31, 2009, were an overall debt margin of \$1,676,458 and an unvoted debt margin of \$3,200,511.

**NOTE 12 – LEASES**

The Village leases a copier with a minimum commitment of 12 months. The monthly rentals are determined by a meter program. As of July 2008, the meter rate is \$0.016 per copy.

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

**NOTE 13 – INTERFUND TRANSFERS**

During 2009 the following transfers were made:

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

Blighted Fund	\$ 41,640
Other Governmental Funds	263,600
Water Fund	94,500
Sanitary Sewer Fund	86,690
Wastewater Debt Fund	56,000
Reservoir Fund	20,738
Reservoir Debt Fund	400,294
Other Enterprise Funds	3,500
Total Transfers from General Fund	<u>\$ 966,962</u>

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**NOTE 14 – CONSTRUCTION & CONTRACTUAL COMMITMENTS**

As of December 31, 2009, the Village had the following construction and contractual purchase commitments:

<u>Company</u>	<u>Contract Amount</u>	<u>Balance Outstanding 12-31-09</u>
Kirk Bros. Co., Inc.	\$ 4,415,915	\$ 179,497
Ward Construction Co., Inc.	121,747	121,747
Ward Construction Co., Inc.	374,336	75,931
ET Electric Company, LLC	96,450	23,148
	<u>\$ 5,008,448</u>	<u>\$ 400,323</u>

**NOTE 15 – CONTINGENT LIABILITIES**

The Village has been involved in a dispute with the contractor and sub-contractor regarding the combined sewer separation project within the Village Corporation limits which is complete. The sub-contractor made a claim against the contractor in the amount of \$157,110. The Village held this amount in an escrow account until the dispute between the sub-contractor and the contractor had been resolved. In April 2010, the lawsuit was settled. The escrow account was cashed for \$158,514 which includes interest. This money was paid to the contractor along with an additional \$20,983 for a total of \$179,497 which was the agreed-upon balance of retainage owed. In addition, the Village paid the sub-contractor \$30,000 in April 2010 to cover the subcontract work performed. This additional amount was reimbursed by the architect in May 2010.

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

**NOTE 16 – SUBSEQUENT EVENTS**

As of December 31, 2009, the General Fund, Street Fund, Construction (CDBG) Fund, Sanitary Sewer Fund, Railroad Fund, and Reservoir Debt Fund had negative fund balances. The Street Fund became positive in February 2010 and the Reservoir Debt Fund became positive in April 2010 by transferring money into the accounts. The Railroad Fund became positive in March 2010 because more track user fees were received than expended at that point in time. The General Fund Construction (CDBG) Fund and Sanitary Sewer Fund, continue to be negative up to the date of this report.

Due to these negative cash balances, the Village was unable to pay in full the payment due on the Industrial Development Revenue Bond in December 2009. In January 2010, the Village was only capable of paying approximately 20% of the amount due on the four OWDA loans. This caused the OWDA to file a lawsuit against the Village. Also in January 2010, the Village requested that the Auditor of State's Office perform a fiscal analysis on their financial condition. This fiscal analysis is currently ongoing and the Auditor of State's Office states that it will most likely be putting the Village in fiscal emergency in August 2010.

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

Village of Leipsic  
Putnam County, Ohio

To the Village Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Leipsic, Putnam County, Ohio (the Village) as of and for the year ended December 31, 2009, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 21, 2010, wherein, we noted the Village prepares its financial statements on the cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

We did identify deficiencies 2009-1 through 2009-3 and 2009-6 through 2009-8 in internal control over financial reporting described in the accompanying schedule of findings and responses that we consider to be material weaknesses, as defined above. We also identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting which are 2009-4, 2009-5 and 2009-9. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2009-1 through 2009-5 and 2009-7 through 2009-9.

We noted certain matters that we reported to management of the Village in a separate letter dated July 21, 2010.

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

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



STEYER & CO.  
Certified Public Accountants  
Defiance, Ohio  
July 21, 2010

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009**

**2009-1 Material Weakness**

**Non-Compliance Citation**

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

The existence of a deficit balance in any fund indicates that money from another fund or funds has been used to pay the obligations of the fund carrying the deficit balance. There were forty-six instances of deficit fund balances throughout 2009 in amounts ranging from \$1,233 to \$842,964.

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

**Management's Response**

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

**2009-2 Material Weakness**

**Non-Compliance Citation**

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making any expenditure of money unless it has been lawfully appropriated as provided in such chapter.

Expenditures exceeded appropriations in the following funds at year end:

<u>Fund</u>	<u>Appropriation</u>	<u>Expenditure</u>	<u>Variance</u>
December 31, 2009:			
General	\$ 2,970,595	\$ 3,739,312	\$ (768,717)
Street Construction	\$ 343,600	\$ 374,060	\$ (30,460)
Economic Development	\$ 15,225	\$ 18,187	\$ (2,962)
Waste Water	\$ 582,750	\$ 656,811	\$ (74,061)
Railroad	\$ 31,000	\$ 103,308	\$ (72,308)
Railroad Debt	\$ 52,900	\$ 63,462	\$ (10,562)

We recommend the Fiscal Officer and Village Council monitor the budget on a monthly basis. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request Council to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**Management's Response**

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

**2009-3 Material Weakness**

**Non-Compliance Citation**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009**

**2009-3 Material Weakness (Continued)**

**Non-Compliance Citation**

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

<u>Fund</u>	<u>Unencumbered Fund Balance Plus Actual Receipts</u>	<u>Appropriation</u>	<u>Variance</u>
Street Construction	\$ 336,715	\$ 343,600	\$ (6,885)
CDBG Formula Grants & Issue II Grants	79,753	384,575	(304,822)
Wastewater Fund	550,336	582,750	(32,414)
Reservoir Debt Fund	550,287	648,700	(98,413)

**Management's Response**

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

**2009-4 Significant Deficiency**

**Non-Compliance Citation**

Ohio Revised Code § 5705.41(D) states no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides two "exceptions" to the above requirement:

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

Five percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and neither of the exceptions provided for were used. One of these transactions did not have proper approval by the Village Administrator, either. In addition, the Village had \$57,991 in outstanding purchase commitments at December 31, 2009 that were not certified until 2010. The accompanying financial statements have been adjusted to include these amounts as outstanding encumbrances at year end.

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

**Management's Response**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009**

**2009-5 Significant Deficiency**

**Non-Compliance Citation**

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

The annual report was timely filed with the Auditor of State, but as we reviewed the report, we noticed that it was significantly deficient. The report did not foot, crossfoot, or match the computerized books of the Village.

We recommend that the Fiscal Officer fills out the Individual Fund Worksheets first and match them to the computerized books. Then, the combining statements should be prepared. All reports should foot and crossfoot. The use of Excel would be beneficial since most of the errors noted were due to manual errors of not carrying over the proper balances on the correct lines of the reports, along with addition and subtraction errors.

**Management's Response**

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

**2009-6 Material Weakness**

**Financial Reporting**

During the course of our audit, we discovered that an escrow account in the Village's name for \$158,320 was never recorded on the Village's books. We also noted that a current revenue note with The Union Bank was never recorded for \$575,000. The principal redemption on this same note for \$575,000 was not recorded, either. A Health Reimbursement account was also set up at The Union Bank and was not recorded on the books which amounted to \$478. We deem this to be a material weakness in that accounting controls, if properly implemented, would have disclosed these errors in the normal course of business operations.

We recommend that the Village record all cash transactions on their books as they occur. Also the Fiscal Officer needs to regularly review accounting postings to the general ledger and review general journal entry postings to mitigate financial statement errors.

**Management's Response**

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

**2009-7 Material Weakness**

**Non-Compliance Citation**

Ohio Revised Code §5705.09 states the requirements for establishing funds. New funds should be approved by Council resolution. We noted that two funds, the Reservoir Fund and the Reservoir Debt Fund, were established in 2008 and used during 2009, but Council never approved these Enterprise Funds by Resolution. This allowed revenue totaling \$8,081,560 and expenditures totaling \$8,348,892 to be moved in and out of unauthorized funds.

**Management's Response:**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF FINDINGS AND RESPONSES  
DECEMBER 31, 2009**

**2009-8 Material Weakness**

**Non-Compliance Citation**

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

Appropriations exceeded estimated revenues in the following funds at December 31, 2009.

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
Economic Development	\$ 3,123	\$ 15,225	\$ (12,102)
Wastewater Debt Fund	\$ 539,694	\$ 580,900	\$ (41,206)

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

**Management's Response:**

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

**2009-9 Significant Deficiency**

**Non-Compliance Citation**

Ohio Revised Code §9.24(A), (B), (D), (E), and (G) states that no political subdivision shall award a contract for goods, services, or construction, paid for in whole or in part with state funds, to a person against whom a finding for recovery has been issued by the Auditor of State, if the finding for recovery is unresolved. We noted during testing that contracts were awarded during 2009; however, the Village did not verify that the bidder did not have a finding for recovery issued by the Auditor of State's office. We recommend that the Village consult the Auditor of State's website prior to awarding a contract.

**Management's Response**

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

**VILLAGE OF LEIPSIC  
PUTNAM COUNTY  
SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Action Taken
2008-1	Material Weakness ORC § 5705.10(H) Deficit fund balances	No	Not corrected. Reissued as finding 2009-1.
2008-2	Material Weakness ORC § 5705.41(B) Expenditures exceeded appropriations	No	Not corrected. Reissued as finding 2009-2.
2008-3	Significant Deficiency ORC § 5705.36(A)(4) Amended official certificate	No	Not corrected. Reissued as finding 2009-3.
2008-4	Significant Deficiencies ORC § 5705.41 (D) Certificate of funds	No	Not corrected. Reissued as finding 2009-4.
2008-5	Significant Deficiency ORC § 117.38 Annual report	No	Not corrected. Reissued as finding 2009-5.
2008-6	Material Weakness Accounting controls	No	Not corrected. Reissued as finding 2009-6.
2008-7	Material Weakness ORC § 5705.09 Establishing funds	No	Not corrected. Reissued as finding 2009-7.
2008-8	Significant Deficiency ORC § 9.24(A),(B),(D),(E),&(G) Unresolved findings for recovery	No	Not corrected. Reissued as finding 2009-9.



**Mary Taylor, CPA**  
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  
NOVEMBER 4, 2010