



OHIO AUDITOR OF STATE
KEITH FABER



VILLAGE OF LEESBURG
HIGHLAND COUNTY
DECEMBER 31, 2019

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Village of Leesburg
Highland County
57 South Fairfield Street
Leesburg, Ohio 45135

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Village of Leesburg, Highland County, Ohio (the Village) as of and for the year ended December 31, 2019.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village, as of December 31, 2019, and the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village, as of December 31, 2019, for the year then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 12 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2020 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

November 19, 2020

VILLAGE OF LEESBURG*Highland County, Ohio**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2019*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 31,450	\$0	\$ 31,450
Municipal Income Tax	520,879	0	520,879
Intergovernmental	31,332	66,925	98,257
Special Assessments	513	0	513
Charges for Service	120	0	120
Fines, Licenses and Permits	2,036	0	2,036
Earnings on Investments	396	0	396
Miscellaneous	14,450	0	14,450
<i>Total Cash Receipts</i>	<u>601,176</u>	<u>66,925</u>	<u>668,101</u>
Cash Disbursements			
Current:			
Security of Persons and Property	271,463	0	271,463
Public Health Services	595	0	595
Leisure Time Activities	8,127	0	8,127
Basic Utility Services	4,598	15,100	19,698
Transportation	0	84,201	84,201
General Government	169,843	0	169,843
Capital Outlay	0	3,500	3,500
<i>Total Cash Disbursements</i>	<u>454,626</u>	<u>102,801</u>	<u>557,427</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>146,550</u>	<u>(35,876)</u>	<u>110,674</u>
Other Financing Receipts (Disbursements)			
Transfers In		50,161	50,161
Transfers Out	(105,161)		(105,161)
Other Financing Uses	(5,209)	0	(5,209)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(110,370)</u>	<u>50,161</u>	<u>(60,209)</u>
<i>Special Item</i>	<u>1,935</u>	<u>0</u>	<u>1,935</u>
<i>Net Change in Fund Cash Balances</i>	38,115	14,285	52,400
<i>Fund Cash Balances, January 1</i>	<u>673,497</u>	<u>75,599</u>	<u>749,096</u>
Fund Cash Balances, December 31			
Restricted		89,884	89,884
Assigned	31,705	0	31,705
Unassigned (Deficit)	679,907	0	679,907
<i>Fund Cash Balances, December 31</i>	<u>\$ 711,612</u>	<u>\$ 89,884</u>	<u>\$ 801,496</u>

See accompanying notes to the basic financial statements

VILLAGE OF LEESBURG*Highland County, Ohio**Combined Statement of Receipts, Disbursements**and Changes in Fund Balances (Regulatory Cash Basis)**Enterprise Fund Type**For the Year Ended December 31, 2019*

	<u>Enterprise</u>
Cash Receipts	
Charges for Service	\$ 689,873
<i>Total Cash Receipts</i>	<u>689,873</u>
Cash Disbursements	
Current:	
Personal Services	90,889
Fringe Benefits	68,134
Contractual Services	263,377
Supplies and Materials	44,679
<i>Total Cash Disbursements</i>	<u>467,079</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>222,794</u>
Non-Operating Receipts (Disbursements)	
Earnings on investment (proprietary fund only)	29
Miscellaneous Receipts	1,422
Capital Outlay	(31,588)
Principal Retirement	(171,409)
Interest and Other fiscal Charges	(41,510)
Other Financing Sources	0
<i>Total Non-Operating (Disbursements)</i>	<u>(243,056)</u>
Income (Loss) before Capital Contributions, Special item Transfers, and Advance	(20,262)
Other Financing Receipts (Disbursements)	
<i>Transfers In</i>	303,156
<i>Transfers Out</i>	(248,156)
<i>Net Change in Fund Cash Balances</i>	34,738
<i>Fund Cash Balances, January 1</i>	<u>355,153</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 389,891</u>

See accompanying notes to the basic financial statements

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The Village of Leesburg, Highland 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. A publicly-elected six-member Council directs the Village. The Village provides street maintenance, water and sewer utilities, garbage collection and police services.

Public Entity Risk Pool

The Village participates in the Public Entities Pool of Ohio (PEP), a public risk entity pool. Note 6 to the financial statements provides additional information for this entity.

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

Basis of Presentation

The Village's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for the enterprise fund type, which are organized on a fund type basis.

Fund Accounting

The Village uses funds 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. The funds of the Village are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported 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.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund The street construction maintenance and repair fund accounts for and reports that portion of the State gasoline tax and motor vehicle license registration fees restricted for the purpose of construction, maintenance, and repair of streets within the Village.

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

Water Fund The water fund accounts for the provision of water treatment and distribution to the residents and commercial users located within the Village.

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary disbursements when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

Appropriations Budgetary disbursements (that is, disbursements and encumbrances) may not exceed appropriations at the object level of control and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

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

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

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

Capital Assets

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

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies (continued)

Accumulated Leave

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

Fund Balance

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

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

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

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

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as restricted or committed. Governmental funds other than the general fund report all fund balances as assigned unless they are restricted or committed. In the general fund, assigned amounts represent intended uses established by Council or a Village official delegated that authority by resolution, or by State Statute. Council can also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget in the general fund.

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

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

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 3 – Budgetary Activity

Budgetary activity for the year ended December 31, 2019 follows:

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$602,726	\$603,111	\$385
Special Revenue	116,842	117,086	244
Enterprise	995,109	994,480	(629)
Total	\$1,714,677	\$1,714,677	\$0

2019 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriation Authority	Budgetary Disbursements	Variance
General	\$674,639	\$564,996	(\$109,643)
Special Revenue	133,000	102,801	(30,199)
Enterprise	1,042,306	959,742	(82,564)
Total	\$1,849,945	\$1,627,539	(\$222,406)

Note 4 – Deposits

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

	2019
Demand deposits	\$ 1,124,560
Certificates of deposit	66,827
Total deposits	\$ 1,191,387

Deposits

Deposits are insured by the Federal Depository Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution

Note 5 – Taxes

Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 5 –Taxes (continued)

tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The Public utilities are also taxed on personal and real property located within the Village. The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

Local Income Taxes

The Village levies a municipal income tax of 1% on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

Note 6 - Risk Management

Risk Pool Membership

The Village is a member of the Public Entities Pool of Ohio (PEP). The Pool assumes the risk of loss up to the limits of the Village’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2019</u>
Cash and investments	\$ 38,432,610
Actuarial liabilities	14,705,917

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants’ gross salaries. The Village has paid all contributions required through December 31, 2019.

Ohio Police and Fire Retirement System

The Village’s full-time Police Officers belong to the Ohio Police and Fire Retirement System (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Village contributed to OP&F an amount equal to 19.5% of full-time police members’ wages. The Village has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. For OPERS, the portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0% during calendar year 2019. OP&F contributed 0.5% to fund these benefits during calendar year 2019.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 9 – Debt

Debt outstanding at December 31, 2019 was as follows:

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

	Principal	Interest Rate
Water System Improvement Loan	\$ 43,100	6.00%
OPWC #CO05D 1905 Standpipe	62,984	0.00%
OPWC #CO02G Wastewater Treatment Plant Renovation	150,000	0.00%
OPWC #CO10N Water Supply Improvements	77,524	0.00%
OWDA #4395 Wastewater Treatment Plant Upgrade	2,022,270	1.50%
OWDA #5677 Water Wells and Disinfection	198,750	1.50%
OWDA #6413 Remote Read Water Meters	101,431	2.00%
OWDA #7018 Sewer Line Replacement	128,266	0.91%
	\$ 2,784,325	

The Water System Improvement Loan was issued in 1986 for \$116,000 to finance an improvement project on the Village’s water plant. The bonds are being retired over a period of 41 years, paid from water system revenues.

During 2001, the Village received a no interest OPWC Loan for \$209,947 to finance a water tower replacement project. The loan will be repaid from water system revenues, over a period of 20 years.

During 2005, the Village received a no interest OPWC Loan for \$400,000 to finance a wastewater treatment plant expansion and upgrade. These loans will be repaid from sewer system revenues, over a period of 30 years.

During 2011, the Village received an OPWC Loan for \$103,365 to finance a water improvement project. Repayment will be made over a period of 30 years from the water system revenues.

During 2005, the Village received an Ohio Water Development Authority (OWDA) Loan for \$2,776,000 to finance a wastewater treatment plant expansion and upgrade. This loan will be repaid from sewer system revenues over a period of 30 years.

During 2010, the Village received an OWDA Loan for \$256,283 to finance a water well project. Repayment will be made over a period of 30 years from water system revenues.

During 2013, the Village received an OWDA Loan for \$136,961 to finance a remote read water meter project. Repayment will be made over a period of 20 years from water system revenues.

During 2015, the Village received and OWDA Loan for \$143,015 to finance a sewer line replacement project. Repayment will be made over a period of 30 years from the sewer system revenues.

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 – Debt (Continued)

Amortization

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

Year ending December 31:	Water System Improvement	OPWC Loans	OWDA Loans
2020	\$ 7,686	\$ 33,943	\$ 141,855
2021	7,680	33,943	141,855
2022	7,756	33,943	141,855
2023	7,708	33,943	141,855
2024	7,742	33,943	141,855
2025-2029	15,490	77,723	709,273
2030-2034	-	17,228	700,930
2035-2039	-	17,228	667,560
2040-2044	-	8,614	48,571
2045-2049	-	-	8,187
Total	<u>\$ 54,062</u>	<u>\$ 290,508</u>	<u>\$ 2,843,796</u>

Note 10 – Contingent Liabilities

The Village may be a defendant in lawsuits. Although management cannot presently determine the outcome of any suit, management believes that the resolution of any matter will not materially adversely affect the Village's financial condition.

Note 11 – Transfers

During 2019, the following transfers were made:

<u>Transfer to</u>	<u>Transfer from</u>		
	General	Enterprise	Total
Special Revenue Fund	50,161		50,161
Enterprise Fund	55,000	248,156	303,156
Total all Funds	<u>\$105,161</u>	<u>\$ 248,156</u>	<u>\$353,317</u>

All funds were in compliance with Ohio Revised Code.

Village of Leesburg
Highland County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 12 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village. The Village's investment portfolio and the investments of the pension and other employee benefit plans in which the Village participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Village's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



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

Village of Leesburg
Highland County
57 South Fairfield Street
Leesburg, Ohio 45135

To the Village Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of Leesburg, Highland County, (the Village) as of and for the year ended December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated November 19, 2020 wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Village.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Columbus, Ohio

November 19, 2020

VILLAGE OF LEESBURG
HIGHLAND COUNTY

SCHEDULE OF FINDINGS
December 31, 2019

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

FINDING NUMBER 2019-001

Material Weakness – Utilities

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement whether due to fraud or error. All public officials are responsible for the design and operation of a system of internal control that is adequate to provide reasonable assurance regarding the achievement of objectives for their respective public offices. Public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The Village did not have a proper system of internal controls over utilities – which should include knowledge of required records and applicable laws, adequate segregation of duties, and monitoring – as indicated by the following conditions:

- The Village did not have a formal policy regarding meter reading adjustments and monthly utility bill adjustments.
- The Village did not maintain documentation to support manual adjustments made to the meter upload reports each month. Usage amounts were marked out and manual reads were written on the reports.
- The Village did not always bill customers timely. Residents incurred late fees, but did not receive the bill by the due date.
- The Village billed two months as estimations; this is not normal billing practice and there is no policy to address billing estimations.
- Utility billings were not posted timely to the system
- Approved billing changes were not updated timely in the billing system during the month of October
- A formal monthly reconciliation between the Utility Billing system and the General Ledger was not being performed or reviewed, during 2019.

Failure to update billing rates, establish policies and maintain supporting documentation reduces the accountability over Village funds, reduces the Village's ability to monitor financial activity and make informed financial decisions, and increases the risk that errors, theft or fraud could occur and not be detected in a timely manner.

The Village officials should gain an understanding of the purpose of accurate utility billings and utility adjustments. They should document and perform procedures to verify accuracy and approval of all utility adjustments, including meter readings, to reduce the risks associated with segregation of duties and ensure all adjustments are addressed correctly. The Village should establish a formal policy and related procedures to address identification, authorization, recording and documentation of adjustments to customer accounts. All billing changes and receipts should be posted timely.

**FINDING NUMBER 2019-001
(Continued)**

Officials' Response:

We did not receive a response from officials to the finding above.

**VILLAGE OF LEESBURG
HIGHLAND COUNTY
57 South Fairfield Street
Leesburg, Ohio 45135**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
December 31, 2019**

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness - Utility Adjustments were not documented and no policy was in place.	Not Corrected	Reissue in finding 2019-001.
2018-002	Ohio Rev. Code, § 124.18. The Village did not establish a compensatory time policy for the Fiscal Officer, who accrued and used such time.	Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



VILLAGE OF LEESBURG

HIGHLAND COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/8/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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www.ohioauditor.gov