



Dave Yost • Auditor of State

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY
DECEMBER 31, 2017 AND 2016**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Village Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Village of West Leipsic, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016.

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, 2017 and 2016, and the respective changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Village of West Leipsic, Putnam County, Ohio as of December 31, 2017 and 2016, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2018, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

October 2, 2018

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$9,636	\$6,834		\$16,470
Intergovernmental	27,721	13,110		40,831
Earnings on Investments	171	419		590
Miscellaneous	969			969
<i>Total Cash Receipts</i>	<u>38,497</u>	<u>20,363</u>		<u>58,860</u>
Cash Disbursements				
Current:				
Security of Persons and Property	17,766	6,907		24,673
Transportation		9,922		9,922
General Government	25,457	194		25,651
<i>Total Cash Disbursements</i>	<u>43,223</u>	<u>17,023</u>		<u>60,246</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(4,726)</u>	<u>3,340</u>		<u>(1,386)</u>
Other Financing Disbursements				
Other Financing Uses	(360)			(360)
<i>Net Change in Fund Cash Balances</i>	<u>(5,086)</u>	<u>3,340</u>		<u>(1,746)</u>
<i>Fund Cash Balances, January 1</i>	<u>11,686</u>	<u>106,263</u>	<u>\$5,998</u>	<u>123,947</u>
Fund Cash Balances, December 31				
Restricted		109,603	5,998	115,601
Assigned	6,562			6,562
Unassigned	38			38
<i>Fund Cash Balances, December 31</i>	<u>\$6,600</u>	<u>\$109,603</u>	<u>\$5,998</u>	<u>\$122,201</u>

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$93,243
Operating Cash Disbursements	
Contractual Services	1,562
Other	72,329
<i>Total Operating Cash Disbursements</i>	73,891
<i>Operating Income</i>	19,352
Non-Operating Disbursements	
Principal Retirement	4,300
Interest and Other Fiscal Charges	10,490
<i>Total Non-Operating Disbursements</i>	14,790
<i>Net Change in Fund Cash Balances</i>	4,562
<i>Fund Cash Balances, January 1</i>	39,069
<i>Fund Cash Balances, December 31</i>	\$43,631

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The Village of West Leipsic (the Village), Putnam County, 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 general government services, including road maintenance and repair and wastewater services. The Village contracts with the Village of Leipsic to provide police protection and fire protection. The Village of Leipsic also provides water services to Village residents.

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

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 proprietary 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 Funds:

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

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

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

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

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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

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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

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

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 re-appropriated. The Village did not encumber all commitments required by Ohio law. Management has included an audit adjustment in the accompanying budgetary presentation for a material item that should have been encumbered.

A summary of 2017 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.

The Village values certificates of deposit at cost.

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 WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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

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

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,600	\$38,497	(\$3,103)
Special Revenue	24,328	20,363	(3,965)
Enterprise	100,000	93,243	(6,757)
Total	\$165,928	\$152,103	(\$13,825)

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$55,682	\$43,791	\$11,891
Special Revenue	22,000	19,173	2,827
Enterprise	95,790	89,031	6,759
Total	\$173,472	\$151,995	\$21,477

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:

	2017
Demand deposits	\$65,832
Certificates of deposit	100,000
Total deposits	\$165,832

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Taxes

Property Tax

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

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

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Village 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 percent 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, 2017.

Social Security

Village Council contributed to Social Security during the fourth quarter in 2017. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017.

Note 9 – Debt

Debt outstanding at December 31, 2017 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	<u>\$228,800</u>	4.50%

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

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. This fund is required to maintain a balance equal to the debt service payment due in the ensuing fiscal year. The balance in the fund at December 31, 2017 is \$1,100. The debt service payment due in the ensuing year is \$14,796. No monthly \$124 payments were made in 2017 to bring the fund balance back to the required level.

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Year ending December 31:	Mortgage Revenue Bonds Principal	Mortgage Revenue Bonds Interest
2018	\$4,500	\$10,296
2019	4,700	10,094
2020	4,900	9,882
2021	5,100	9,688
2022	5,400	9,432
2023-2027	30,700	43,327
2028-2032	38,400	35,760
2033-2037	47,700	26,327
2038-2042	59,600	14,542
2043-2044	27,800	1,890
Total	\$228,800	\$171,238

Note 10 – Compliance

Contrary to Village Ordinance 497, the Village did not set aside the proper amount of monies in its Enterprise Debt Service Fund for 2017.

Contrary to Ohio Rev. Code § 5705.41(D)(1), the Village did not properly certify and encumber disbursements in the Special Revenue Fund in 2017.

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$9,533	\$8,554		\$18,087
Intergovernmental	27,444	13,247		40,691
Earnings on Investments	2			2
Miscellaneous	756			756
<i>Total Cash Receipts</i>	<u>37,735</u>	<u>21,801</u>		<u>59,536</u>
Cash Disbursements				
Current:				
Security of Persons and Property	16,376	11,670		28,046
Basic Utility Service			\$432	432
Transportation		4,463		4,463
General Government	37,492	239		37,731
<i>Total Cash Disbursements</i>	<u>53,868</u>	<u>16,372</u>	<u>432</u>	<u>70,672</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,133)</u>	<u>5,429</u>	<u>(432)</u>	<u>(11,136)</u>
Other Financing Receipts (Disbursements)				
Transfers In		1,945		1,945
Transfers Out	(1,945)			(1,945)
Other Financing Uses	(430)			(430)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,375)</u>	<u>1,945</u>		<u>(430)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(18,508)</u>	<u>7,374</u>	<u>(432)</u>	<u>(11,566)</u>
<i>Fund Cash Balances, January 1</i>	<u>30,194</u>	<u>98,889</u>	<u>6,430</u>	<u>135,513</u>
Fund Cash Balances, December 31				
Restricted		106,263	5,998	112,261
Assigned	11,686			11,686
<i>Fund Cash Balances, December 31</i>	<u>\$11,686</u>	<u>\$106,263</u>	<u>\$5,998</u>	<u>\$123,947</u>

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts	
Charges for Services	\$93,449
Operating Cash Disbursements	
Contractual Services	2,525
Other	67,477
<i>Total Operating Cash Disbursements</i>	70,002
<i>Operating Income</i>	23,447
Non-Operating Disbursements	
Principal Retirement	4,100
Interest and Other Fiscal Charges	10,674
<i>Total Non-Operating Disbursements</i>	14,774
<i>Net Change in Fund Cash Balances</i>	8,673
<i>Fund Cash Balances, January 1</i>	30,396
<i>Fund Cash Balances, December 31</i>	\$39,069

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Note 1 – Reporting Entity

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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 proprietary 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 Funds:

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

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

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

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

Sanitary Sewer Construction Fund In prior years, this fund received United States Department of Agriculture grant proceeds, a Community Development Block Grant and an Ohio /Public Works

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Commission Grant for the construction of a waste water system for the Village. The Village currently is using the remaining balance for sanitary sewer related expenditures.

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

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

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 expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function, object level of control, and appropriations may not exceed estimated resources. The Village Council must annually approve appropriation measures and subsequent amendments. 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 canceled, and reappropriated in the subsequent year.

A summary of 2016 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.

The Village values certificates of deposit at cost.

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 WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

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

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.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,600	\$37,735	(\$3,865)
Special Revenue	24,328	23,746	(582)
Enterprise	100,000	93,449	(6,551)
Total	\$165,928	\$154,930	(\$10,998)

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$68,610	\$56,243	\$12,367
Special Revenue	125,080	16,372	108,708
Debt Service	5,767	432	5,335
Enterprise	129,074	84,776	44,298
Total	\$328,531	\$157,823	\$170,708

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:

	2016
Demand deposits	\$28,531
Certificates of deposit	134,485
Total deposits	\$163,016

Deposits

Deposits are insured by the Federal Depository Insurance Corporation.

Note 5 – Taxes

Property Tax

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

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

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

Note 6 – Risk Management

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

Village 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 percent of their gross salaries and the Village contributed an amount equaling 14 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2016.

Note 8 – Postemployment Benefits

OPERS offers a 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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016.

Note 9 – Debt

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Mortgage Revenue Bonds	<u>\$233,100</u>	4.50%

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

The mortgage revenue bond covenant requires the Village to establish and fund a debt service reserve fund, included as an enterprise fund. This fund is required to maintain a balance equal to the debt service payment due in the ensuing fiscal year. The balance in the fund at December 31, 2016 is \$1,100. The debt service payment due in the ensuing year is \$14,818. No monthly \$124 payments were made in 2016 to bring the fund balance back to the required level.

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

Year ending December 31:	Mortgage Revenue Bonds Principal	Mortgage Revenue Bonds Interest
2017	\$4,300	\$10,518
2018	4,500	10,296
2019	4,700	10,094
2020	4,900	9,882
2021	5,100	9,688
2022-2026	29,400	44,650
2027-2031	36,700	37,411
2032-2036	45,700	28,371
2037-2041	57,000	17,119
2042-2044	40,800	3,726
Total	\$233,100	\$181,755

Contrary to Village Ordinance 497, the Village did not set aside the proper amount of monies in its Enterprise Debt Service Fund for 2016.

Note 10 – Interfund Transfers

During 2016, there were transfers in the amount of \$1,464 and \$481 from the General Fund to the Street Lighting Fund and the Fire Fund, respectively.

Transfers are used to move receipts from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and use unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.



Dave Yost • Auditor of State

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

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

To the Village Council:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Village of West Leipsic, Putnam County, Ohio (the Village) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2018, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-001 and 2017-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2017-002 and 2017-003.

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.



Dave Yost
Auditor of State

Columbus, Ohio

October 2, 2018

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Financial Reporting

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16. In addition, Governmental Accounting Standards Board (GASB) Statement No. 54 (codified as GASB Cod 1800.165-.179) requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources. The following errors were identified in the accompanying 2017 and 2016 financial statements:

- In 2017 and 2016, charges for services revenue for sewer collections totaling \$93,243 and \$93,449, respectively, were incorrectly classified as special assessments in the Enterprise Fund.
- In 2017, \$6,190 was incorrectly posted as principal payment instead of interest payment in the Enterprise Fund.
- General Fund encumbrances and subsequent year appropriations in excess of estimated receipts were not correctly classified as assigned fund balance in 2017 and 2016 in the amounts of \$6,562 and \$11,686, respectively.
- In 2017, estimated receipts in the accounting system and budgetary note to the financial statements did not agree to amounts certified by the County Budget Commission in the General, Special Revenue, and Enterprise Funds by \$2,400, \$2,524, and \$5,000, respectively.
- In 2017, appropriations in the budgetary note to the financial statements were overstated by \$12,928, \$103,080, \$5,767, and \$33,284, in the General, Special Revenue, Capital Projects, and Enterprise Funds, respectively.

These errors were the result of inadequate policies and procedures in reviewing the financial statements. As a result, the Village's financial statements and notes to the financial statements did not correctly reflect the financial activity of the Village. The accompanying financial statements and notes to the financial statements have been adjusted to correct these and other errors. Additional errors were noted in smaller relative amounts.

To help ensure the Village's financial statements and notes to the statements are complete and accurate, the Village should adopt policies and procedures, including a final review of the statements and notes by the Fiscal Officer and the audit committee, to identify and correct errors and omissions. In addition, the Fiscal Officer should also review the Auditor of State's Village Handbook which contains a chart of accounts as well as Audit Bulletin 2011-004 for guidance on GASB Statement No. 54.

FINDING NUMBER 2017-002

Noncompliance Citation

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

During 2017 and 2016, the Fiscal Officer did not make the \$124 monthly payment to the Enterprise Debt Service Fund. This brought down the Enterprise Debt Service Fund's December 31, 2017 fund balance to \$1,100, which is \$13,696 below the required amount of \$14,796. The Enterprise Debt Service Fund's December 31, 2016 fund balance was \$1,100, which is \$13,718 below the required amount of \$14,818.

This noncompliance was due to inadequate policies and procedures over the monitoring of debt service requirements. Failing to maintain the required balance in the Enterprise Debt Service Fund could result in an inability to pay the debt, and violates the bond agreement.

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

FINDING NUMBER 2017-003

Noncompliance and Material Weakness

Ohio Rev. Code § 5705.41(D)(1) provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required for the order or contract has been lawfully appropriated for such purpose 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 void, and no warrant shall be issued in payment of any amount due thereon.

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

- "Then and Now" Certificate – If the fiscal officer can certify both at the time the contract or order was made ("then"), and at the time the fiscal officer is completing the certification ("now"), sufficient funds were available or in the process of collection, to the credit of an appropriate fund free from any previous encumbrances, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. Such resolution or ordinance must be passed within thirty days after the taxing authority receives the "then and now" certificate. Amounts less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village Council.

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

As of December 31, 2017, \$2,150 in the Special Revenue Fund was not properly certified and, as a result, was not encumbered. Failure to properly certify disbursements and record encumbrances to the budgetary system could result in deficit spending. These errors occurred due to deficiencies in policies and procedures over certifying the availability and encumbering of funds. The budgetary note was adjusted to include these amounts as actual budgetary disbursements

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure purchase commitments receive prior approval. The Fiscal Officer should certify the funds are or will be available prior to obligation by the Village Council. When prior certification is not possible, "then and now" certification should be used.

Officials' Response:

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

**VILLAGE OF WEST LEIPSIC
PUTNAM COUNTY
114 Main Street
Leipsic, Ohio 45856-1050**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	This finding was first reported in 2006. Material weakness for lack of monitoring of financial transactions due to errors in the financial statements.	Not corrected and reissued as finding 2017-001 in this report.	There were errors when posting receipts to the UAN system. The Fiscal Officer will review the audit report, adjustment and reclassification entries, and the Village Handbook to ensure proper postings in the future.
2015-002	This finding was first reported in 2014. Material weakness over fund balance classification.	Not corrected and reissued with finding 2017-001 in this report.	The Fiscal Officer was unaware of the errors and will review the proper procedures and make corrections in the future.
2015-003	Material weakness and noncompliance on Ohio Rev. Code § 5705.40 for posted appropriations not matching approved appropriations.	Corrective action taken and finding is fully corrected.	
2015-004	This finding was first reported in 2010. Village Ordinance #497 Authorizing the Sewer Mortgage Revenue Bonds Series 20104, Section 10, for insufficient Sewer Fund balance.	Not corrected and reissued as finding 2017-002 in this report.	The Enterprise fund balance in the past has not been large enough to cover the monthly payments. The Fiscal Officer will attempt to make these payments as the Sewer Fund balance grows.
2015-005	Ohio Rev. Code § 5705.41(B) for disbursements exceeding appropriations.	Corrective action taken and finding is fully corrected.	
2015-006	Internal Revenue Code Chapter 26 for not remitting proper amounts.	Corrective action taken and finding is fully corrected.	
2015-007	Material weakness and noncompliance on Ohio Rev. Code § 5705.14 for making transfers without proper approval.	Partially corrected. Reissued in the management letter.	The Fiscal Officer was unaware that transfers were not approved by Council. The Fiscal Officer will review the amount of transfers needed in the future and make sure the proper amount is approved by Council.



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VILLAGE OF WEST LEIPSIC

PUTNAM COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 18, 2018