

Village of Loudonville Ashland County, Ohio

* * * *

Financial Statements

***December 31, 2007
&
December 31, 2006***



Mary Taylor, CPA

Auditor of State

Mayor and Members of Council
Village of Loudonville
156 North Water Street
Loudonville, Ohio 44842

We have reviewed the *Independent Auditor's Report* of the Village of Loudonville, Ashland County, prepared by Rea & Associates, Inc., for the audit period January 1, 2006 through December 31, 2007. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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 Loudonville is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 18, 2008

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**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2006
AND
DECEMBER 31, 2007**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

July 25, 2008

Mayor and Members of Council
Village of Loudonville
156 North Water Street
Loudonville, OH 44842

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Loudonville, Ashland County, Ohio (the Village), as of and for the years ended December 31, 2006 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Village of Loudonville's management. Our responsibility is to express an opinion 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 opinion.

As described more fully in Note 1, the Village has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting principles and GAAP, we presume they are material.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2007. Instead of the combined funds the accompanying financial statements present for 2006 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2007. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not

substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2007 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial positions and cash flow statements of the Village as of December 31, 2006 and 2007, or their changes in financial positions for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Loudonville, Ashland County, Ohio as of December 31, 2006 and 2007, and its combined cash receipts and disbursements and reserves for encumbrances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2007. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2008, 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. 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 the internal control over financial reporting 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.

Hea & Associates, Inc.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 216,451	\$ 207,762	\$ 0	\$ 20,000	\$ 0	\$ 444,213
Municipal Income Taxes	984,512	0	0	0	0	984,512
Intergovernmental	109,179	230,674	0	0	0	339,853
Charges for Services	88,495	121,676	0	0	0	210,171
Fines, Licenses, and Permits	34,062	6,681	0	0	0	40,743
Donations & Contributions	19,560	6,014	0	0	0	25,574
Interest	92,489	330	1,931	0	0	94,750
Miscellaneous	20,065	38,183	0	0	0	58,248
Total Cash Receipts	<u>1,564,813</u>	<u>611,320</u>	<u>1,931</u>	<u>20,000</u>	<u>0</u>	<u>2,198,064</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	66,870	688,865	0	0	0	755,735
Public Health Services	9,030	0	0	0	0	9,030
Leisure Time Activities	54,323	0	0	0	0	54,323
Community Environment	3,030	0	0	0	0	3,030
Transportation	0	238,691	0	0	0	238,691
General Government	793,453	0	0	0	0	793,453
Capital Outlay	0	0	0	32,496	0	32,496
Debt Service:						
Principal Retirement	35,906	5,114	9,200	0	0	50,220
Interest and Fiscal Charges	14,941	2	37,590	0	0	52,533
Total Cash Disbursements	<u>977,553</u>	<u>932,672</u>	<u>46,790</u>	<u>32,496</u>	<u>0</u>	<u>1,989,511</u>
Total Receipts Over (Under) Disbursements	587,260	(321,352)	(44,859)	(12,496)	0	208,553
OTHER FINANCING SOURCES (USES)						
Transfers In	0	373,172	20,000	30,000	0	423,172
Transfers Out	(456,640)	0	0	0	0	(456,640)
Total Other Financing Sources (Uses)	<u>(456,640)</u>	<u>373,172</u>	<u>20,000</u>	<u>30,000</u>	<u>0</u>	<u>(33,468)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	130,620	51,820	(24,859)	17,504	0	175,085
Fund cash balances, January 1	493,999	380,493	99,155	9,324	3,933	986,904
Fund cash balances, December 31	<u>\$ 624,619</u>	<u>\$ 432,313</u>	<u>\$ 74,296</u>	<u>\$ 26,828</u>	<u>\$ 3,933</u>	<u>\$ 1,161,989</u>
Reserve for encumbrances, December 31, 2006	<u>\$ 52,541</u>	<u>\$ 24,716</u>	<u>\$ 0</u>	<u>\$ 2,567</u>	<u>\$ 0</u>	<u>\$ 79,824</u>

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

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Receipts:				
Charges for Services	\$ 787,093	\$ 0	\$ 0	\$ 787,093
Earnings on Investments	0	3,244	0	3,244
Miscellaneous	24,261	0	0	24,261
Total Operating Cash Receipts	811,354	3,244	0	814,598
Operating Expenses:				
Personal Services	272,788	0	0	272,788
Employee Fringe Benefits	40,770	0	0	40,770
Contractual Services	78,700	0	0	78,700
Community Environment	2,397	0	0	2,397
Supplies and Materials	114,633	32	0	114,665
Capital Outlay	0	1,814	0	1,814
Total Operating Cash Disbursements	509,288	1,846	0	511,134
Operating Income (Loss)	302,066	1,398	0	303,464
Non-Operating Cash Receipts:				
Village of Perrysville Taxes	0	0	184,409	184,409
Mayor's Court Receipts	0	0	43,301	43,301
Sales of Notes	29,445	0	0	29,445
Total Non-Operating Cash Receipts	29,445	0	227,710	257,155
Non-Operating Expenses:				
Debt Service:				
Principal Retirement	68,513	0	0	68,513
Interest and Fiscal Charges	64,478	0	0	64,478
Distribution of Village of Perryville Taxes	0	0	184,409	184,409
Distribution of Mayor's Court Receipts	0	0	42,272	42,272
Capital Outlay	81,907	0	0	81,907
Other Non-Operating Cash Disbursements	213	0	0	213
Total Non-Operating Cash Disbursements	215,111	0	226,681	441,792
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	116,400	1,398	1,029	118,827
Advances In	32,986	0	0	32,986
Advances Out	(32,986)	0	0	(32,986)
Operating Transfers In	53,468	0	0	53,468
Operating Transfers Out	(20,000)	0	0	(20,000)
Net Receipts Over (Under) Disbursements	149,868	1,398	1,029	152,295
Fund Cash Balances January 1	949,484	109,636	3,179	1,062,299
Fund Cash Balances, December 31	\$ 1,099,352	\$ 111,034	\$ 4,208	\$ 1,214,594
Reserve for Encumbrances, December 31, 2006	\$ 218,575	\$ 0	\$ 0	\$ 218,575

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Fund Types				Fiduciary	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 213,116	\$ 205,804	\$ 0	\$ 29,365	\$ 0	\$ 448,285
Municipal Income Taxes	981,468	0	0	0	0	981,468
Intergovernmental	124,417	144,005	0	0	0	268,422
Charges for Services	62,292	149,418	0	0	0	211,710
Fines, Licenses, and Permits	30,958	7,257	0	0	0	38,215
Donations & Contributions	33,281	9,684	0	14,187	75	57,227
Interest	101,495	392	1,617	7,833	0	111,337
Miscellaneous	48,476	21,188	0	0	0	69,664
Total Cash Receipts	<u>1,595,503</u>	<u>537,748</u>	<u>1,617</u>	<u>51,385</u>	<u>75</u>	<u>2,186,328</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	84,245	700,907	0	0	0	785,152
Public Health Services	7,009	0	0	0	0	7,009
Leisure Time Activities	74,122	0	0	0	0	74,122
Community Environment	7,884	0	0	0	0	7,884
Transportation	0	266,557	0	0	0	266,557
General Government	812,442	0	0	0	0	812,442
Capital Outlay	0	0	0	85,890	0	85,890
Debt Service:						
Principal Retirement	30,974	11,683	9,700	0	0	52,357
Interest and Fiscal Charges	17,736	498	36,828	0	0	55,062
Total Cash Disbursements	<u>1,034,412</u>	<u>979,645</u>	<u>46,528</u>	<u>85,890</u>	<u>0</u>	<u>2,146,475</u>
Total Receipts Over (Under) Disbursements	561,091	(441,897)	(44,911)	(34,505)	75	39,853
OTHER FINANCING SOURCES (USES)						
Advances In	39,365	2,750	0	29,365	0	71,480
Advances Out	(42,115)	0	0	(29,365)	0	(71,480)
Transfers In	0	459,100	38,848	69,365	0	567,313
Transfers Out	(551,390)	0	0	0	0	(551,390)
Total Other Financing Sources (Uses)	<u>(554,140)</u>	<u>461,850</u>	<u>38,848</u>	<u>69,365</u>	<u>0</u>	<u>15,923</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements						
	6,951	19,953	(6,063)	34,860	75	55,776
Fund cash balances, January 1	624,619	432,313	74,296	26,828	3,933	1,161,989
Fund cash balances, December 31	<u>\$ 631,570</u>	<u>\$ 452,266</u>	<u>\$ 68,233</u>	<u>\$ 61,688</u>	<u>\$ 4,008</u>	<u>\$ 1,217,765</u>
Reserve for encumbrances, December 31, 2007	\$ 58,430	\$ 33,172	\$ 0	\$ 362	\$ 0	\$ 91,964

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

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Receipts:				
Charges for Services	\$ 805,653	\$ 0	\$ 0	\$ 805,653
Earnings on Investments	0	3,693	0	3,693
Miscellaneous	77,515	0	0	77,515
Total Operating Cash Receipts	883,168	3,693	0	886,861
Operating Expenses:				
Personal Services	308,953	0	0	308,953
Contractual Services	82,306	0	0	82,306
Community Environment	9,479	0	0	9,479
Supplies and Materials	97,060	27	0	97,087
Capital Outlay	78,627	7,833	0	86,460
Total Operating Cash Disbursements	576,425	7,860	0	584,285
Operating Income (Loss)	306,743	(4,167)	0	302,576
Non-Operating Cash Receipts:				
Village of Perrysville Taxes	0	0	183,207	183,207
Mayor's Court Receipts	0	0	44,929	44,929
Total Non-Operating Cash Receipts	0	0	228,136	228,136
Non-Operating Expenses:				
Debt Service:				
Principal Retirement	23,111	0	0	23,111
Interest and Fiscal Charges	51,334	0	0	51,334
Distribution of Village of Perryville Taxes	0	0	183,207	183,207
Distribution of Mayor's Court Receipts	0	0	46,946	46,946
Other Non-Operating Cash Disbursements	462	0	0	462
Total Non-Operating Cash Disbursements	74,907	0	230,153	305,060
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	231,836	(4,167)	(2,017)	225,652
Operating Transfers In	258,295	0	0	258,295
Operating Transfers Out	(274,218)	0	0	(274,218)
Net Receipts Over (Under) Disbursements	215,913	(4,167)	(2,017)	209,729
Fund Cash Balances January 1	1,099,352	111,034	4,208	1,214,594
Fund Cash Balances, December 31	\$ 1,315,265	\$ 106,867	\$ 2,191	\$ 1,424,323
Reserve for Encumbrances, December 31, 2007	\$ 24,987	\$ 0	\$ 0	\$ 24,987

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Loudonville, Ashland County, Ohio, (the Village) is a body corporate and politic 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. The Village provides general governmental services, including water and sewer utilities, street maintenance and repair, fire and police protection, emergency medical services, planning and zoning, and park operations (leisure time activities).

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

C. Cash

Certificates of deposit are valued at cost. The Village held no investments.

D. Fund Accounting

The Village uses fund accounting to segregate cash that is restricted as to use. The Village classifies its funds into the following types:

GOVERNMENTAL FUND TYPES:

General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village has the following significant Special Revenue Funds:

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

Police Levy Fund - This fund receives levy monies for operating and maintaining the Village Police Department.

Debt Service Funds

These funds are used to accumulate resources for the payment of bonds and note indebtedness. The Village has the following significant Debt Service Funds:

Industrial Park Fund - This fund received proceeds from notes in anticipation of the issuance of bonds for the purpose of paying for improvements to the Village's industrial park.

Washington Street Building Fund - This fund is used to retire debt related to purchasing the Village's Washington Street Building.

Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village has the following significant Capital Projects Fund:

Street Improvement Fund - This fund receives local income taxes transferred from the General Fund and permissive taxes which are being used for improvements to Village streets.

PROPRIETARY FUND TYPE:

Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Sanitary Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Storm Drainage Revenue Fund - This fund receives charges for services from residents to cover the cost and expense of the operation, maintenance, repair, replacement, new construction and management of the public storm drainage system.

FIDUCIARY FUND TYPE:

Trust and Agency Funds

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Village to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Village is acting in an agency capacity are classified as agency funds. The Village had the following significant Fiduciary Funds:

Perrysville Income Tax Fund (Agency Fund) - This fund receives monies from collections of income taxes on behalf of the Village of Perrysville. Monies received are remitted directly to the Village of Perrysville. The Village contracts with the Village of Perrysville to perform these services.

Loudonville Mayor's Court Fund (Agency Fund) - This fund receives fine monies and distributes them to the General Fund along with payments to the State for their share of the fines.

E. 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 or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Encumbrances

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

A summary of 2006 and 2007 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

NOTE 2: EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits.

Deposits

At December 31, 2006, the carrying amount of the Village's deposits was \$2,376,583 and the bank balance was \$2,428,996. Of the bank balance, \$100,000 was covered by federal depository insurance. \$2,328,996 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

At December 31, 2007, the carrying amount of the Village's deposits was \$2,642,088 and the bank balance was \$2,660,068. Of the bank balance, \$100,000 was covered by federal depository insurance. \$2,560,068 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Investments

GASB Statement No. 3 “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” requires that the Village investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the Village or its agent in the Village’s name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Village name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village’s name. At December 31, 2006 and 2007, the Village had no investments.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2006 and 2007 is summarized in the following tables. Amounts include other financing sources and uses and non-operating revenues and expenses when applicable.

Budgeted vs. Actual Receipts

	2007			2006		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,929,665	\$ 1,595,503	\$ (334,162)	\$ 1,883,095	\$ 1,564,813	\$ (318,282)
Special Revenue	1,059,991	996,848	(63,143)	900,341	984,492	84,151
Debt Service	60,648	40,465	(20,183)	58,848	21,931	(36,917)
Capital Projects	53,370	120,750	67,380	266,442	50,000	(216,442)
Expendable	0	75	75	0	0	0
Enterprise	870,520	1,141,463	270,943	963,967	894,267	(69,700)
Fiduciary	246,200	231,829	(14,371)	244,200	230,904	(13,296)
Total	\$ 4,220,394	\$ 4,126,933	\$ (93,461)	\$ 4,316,893	\$ 3,746,407	\$ (570,486)

Budgeted vs. Actual Budgetary Disbursements

	2007			2006		
	Budgeted Disbursements	Budgetary Disbursements	Variance	Budgeted Disbursements	Budgetary Disbursements	Variance
General	\$ 2,581,335	\$ 1,585,802	\$ 995,533	\$ 2,077,975	\$ 1,434,193	\$ 643,782
Special Revenue	1,242,058	979,645	262,413	1,184,126	932,672	251,454
Debt Service	46,528	46,528	0	56,840	46,790	10,050
Capital Projects	314,174	85,890	228,284	44,324	32,496	11,828
Enterprise	1,402,231	925,550	476,681	1,107,548	744,399	363,149
Fiduciary	181,550	238,013	(56,463)	244,500	228,527	15,973
Total	\$ 5,767,876	\$ 3,861,428	\$ 1,906,448	\$ 4,715,313	\$ 3,419,077	\$ 1,296,236

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

NOTE 5: INCOME TAX

The Village levies a municipal income tax of 1.75% 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. In addition, the Village collects and remits a municipal income tax for the Village of Perrysville, Ashland County.

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. Income tax receipts are credited to the general fund.

NOTE 6: DEBT

Debt outstanding at December 31, 2007 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 966,861	4.75% - 7.77%
OPWC Water Treatment Plant	266,050	0.00%
Mortgage Revenue Bonds	801,700	4.50% - 4.75%
Lease Purchase Agreements	50,208	4.37% - 4.83%
Total	<u>\$ 2,084,819</u>	

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 1,044,539	4.75% - 7.77%
Bond Anticipation Note	281,700	4.00%
Mortgage Revenue Bonds	811,400	4.50% - 4.75%
Lease Purchase Agreements	22,648	0
Total	<u>\$ 2,160,287</u>	

The 1992 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$2,394 through January 1, 2007, relates to a waterworks system expansion project in the Village and bears interest of 7.54%. The loan was paid off January 1, 2007 and had a balance of \$2,226 at December 31, 2006.

The 1992 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$23,903 through January 1, 2011, relates to a reservoir project in the Village and bears interest of 7.77%. The loan had a balance of \$159,159 and \$192,044 at December 31, 2007 and 2006, respectively.

The 2004 Ohio Water Development Authority (OWDA) loan is being drawn during construction of a water plant project in the Village and bears interest of 4.56%. The loan had a balance of \$ 807,702 and \$ 847,415 at December 31, 2007 and 2006, respectively. These amounts are not presented in the following amortization schedule due to the fact that the Village is still withdrawing money to complete the water plant improvement project.

The OWDA loans are collateralized by water and sewer receipts. The Village has agreed to set utility rates sufficient to cover OWDA debt service requirements.

The 2005 Ohio Public Works Commission (OPWC) loan, due in semi-annual installments of \$15,650 through January 1, 2024, relates to the water plant improvement project in the Village and bears no interest. The loan had a balance of \$266,050 and \$281,700 at December 31, 2007 and 2006, respectively.

The Storm Sewer Mortgage Revenue Bonds, due in varying annual installments through February 1, 2042, relate to a sanitary sewer replacement project in the Village and bear interest of 4.50%. The bonds had a balance of \$677,500 and \$685,500 at December 31, 2007 and December 31, 2006, respectively. These bonds are collateralized by a lien on the related properties and revenues of the storm sewer system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2007 are \$44,320 and \$237 and were \$43,007 and \$237 as of December 31, 2006, respectively.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

The Water System Mortgage Revenue Bonds, due in varying annual installments through April 1, 2042, relate to a water system improvement project in the Village and bear interest of 4.75%. The bonds had a balance of \$124,200 and \$125,900 at December 31, 2007 and December 31, 2006, respectively. These bonds are collateralized by a lien on the related properties and revenues of the water system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2007 are \$10,275 and \$13,401 and were \$9,970 and \$21,081 as of December 31, 2006, respectively.

In 2005, the Village entered into a new lease purchase agreement for the purpose of obtaining a Case Tractor and loader. This lease will be paid in annual principal and interest installments of \$8,219 through February 22, 2009, and bears interest of 4.37%. The lease's present value was \$22,648 and \$15,419 at December 31, 2007 and 2006, respectively.

In 2007, the Village entered into a new lease purchase agreement for the purpose of obtaining a Trailblazer for the Police Department. This lease will be paid in annual principal and interest installments of \$8,072 through June 12, 2009, and bears interest of 4.83%. The lease's present value is \$15,047 at December 31, 2007.

In 2007, the Village entered into a new lease purchase agreement for the purpose of obtaining a cruiser for the Police Department. This lease will be paid in annual principal and interest installments of \$7,216 through October 8, 2010, and bears interest of 4.753%. The lease's present value is \$21,649 at December 31, 2007.

Amortization of the above debt, including total interest of \$881,657, is scheduled as follows:

December 31,	OWDA Loans	OPWC Loan	Mortgage Revenue Bonds	Lease Purchase Agreements
2008	\$ 47,807	\$ 15,650	\$ 47,913	\$ 23,508
2009	47,807	15,650	47,953	23,508
2010	47,807	15,650	47,972	7,216
2011	47,811	15,650	47,967	0
2012	0	15,650	47,840	0
2013 - 2017	0	78,250	239,669	0
2018 - 2022	0	78,250	239,552	0
2023 - 2027	0	31,300	239,569	0
2028 - 2032	0	0	239,629	0
2033 - 2037	0	0	239,592	0
2038 - 2042	0	0	209,616	0
Total	<u>\$ 191,232</u>	<u>\$ 266,050</u>	<u>\$ 1,647,272</u>	<u>\$ 54,232</u>

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

NOTE 7: RETIREMENT SYSTEMS

The Village's law enforcement officers and paramedics belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2007, OP&F participants contributed 10 % of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 9.0% and 9.5% of their wages for 2006 and 2007, respectively. The Village contributed an amount equal to 13.70% and 13.85% of participants' gross salaries for 2006 and 2007, respectively. The Village has paid all contributions required through December 31, 2007.

NOTE 8: RISK MANAGEMENT

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 500 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures with A- VII or better rated carriers, except for a 5% portion the Plan retains. With policies effective September 1, 2003 and after, The Plan pays the lesser of 5% or \$25,000 for casualty losses up to the coverage limit and the lesser of 5% or \$50,000 for property losses up to the coverage limit. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

	<u>2007</u>	<u>2006</u>
Assets	\$ 11,136,455	\$ 9,620,148
Liabilities	<u>(4,273,553)</u>	<u>(3,329,620)</u>
	<u>\$ 6,862,902</u>	<u>\$ 6,290,528</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Village also provides health insurance, life insurance and dental coverage to full-time employees through various private carriers.

NOTE 9: CONTINGENT LIABILITIES

The Village is currently not a defendant in any lawsuits.

Amounts received from grantor agencies are subject to audit and adjustment by the grantor, principally the federal government. Any disallowed costs may require refunding to the grantor. Amounts which may be disallowed, if any, are not presently determinable. However, based on prior experience, management believes such refunds, if any, would not be material.

NOTE 10: RELATED PARTY TRANSACTION

A Village employee is a partner of a company from which the Village awarded a sludge hauling contract in 2003. The Village paid a total of \$11,949 and \$14,364 to the company for services performed in 2007 and 2006, respectively.

NOTE 11: TRANSFERS

Transfers are used to move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2006 AND 2007**

Transfers for the year ended December 31, 2006, consisted of the following:

Transfer In	Transfer Out		Total
	General Fund	Enterprise Funds	
Special Revenue	\$ 373,172	\$ 0	\$ 373,172
Debt Service	0	20,000	20,000
Capital Projects	30,000	0	30,000
Enterprise	53,468	0	53,468
Total	\$ 456,640	\$ 20,000	\$ 476,640

Transfers for the year ended December 31, 2007, consisted of the following:

Transfer In	Transfer Out		Total
	General Fund	Enterprise Funds	
Special Revenue	\$ 459,100	\$ 0	\$ 459,100
Debt Service	0	38,848	38,848
Capital Projects	69,365	0	69,365
Non-Expendable	0	0	0
Enterprise	22,925	235,370	258,295
Total	\$ 551,390	\$ 274,218	\$ 825,608

The transfers from the Enterprise to the Debt Service Funds were to pay for the debt issues for water and sewer projects.

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

July 25, 2008

Mayor and Members of Council
Village of Loudonville
Ashland County, Ohio

INDEPENDENT AUDITOR'S 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

We have audited the accompanying financial statements of Village of Loudonville, Ashland County, Ohio (the Village) as of and for the years ended December 31, 2006 and 2007, and have issued our report thereon dated July 25, 2008, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We have 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 of Loudonville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the Village of Loudonville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Loudonville's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in conformity with cash basis accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness in internal control over financial reporting: 2007-001.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-002.

We noted other matters involving the internal control over financial reporting, which we have reported to management of the Village of Loudonville in a separate letter dated July 25, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Loudonville'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 no material non-compliance, however, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated July 25, 2008.

This report is intended solely for the information and use of Council Members, management, and others within the village, and it is not intended to be and should not be used by anyone other than those specified parties.

Hea & Associates, Inc.

**Village of Loudonville
Ashland County
Schedule of Findings
December 31, 2007 and December 31, 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Bank Reconciliations

A necessary step in the internal control over financial reporting is to prove both the balance of the bank and the balance of cash in the accounting records. A bank reconciliation means accounting for the differences between the balance on the bank statement(s) and the cash and investment balances according to the entity's records. This process involves reconciling the bank balance to the cash and investment balance. Throughout the audit period, monthly reconciliations were not performed in a timely manner for both the general and payroll clearing bank accounts.

Without complete and accurate monthly bank reconciliations, the Village's internal control is weakened, which could hinder the detection of errors or irregularities by the Village's management in a timely manner. In addition, the lack of legislative monitoring may lead to errors, irregularities or misappropriation of Village assets, and untimely audit reports.

The Clerk-Treasurer should perform and complete monthly bank reconciliations in a timely manner. In addition, a copy of each monthly bank reconciliation along with a complete listing of reconciling items (outstanding checks, posting errors, bank coding errors, etc.) should be filed in the bank activity folder along with the bank statements and supporting documents for the applicable month (or another logical manner). The bank reconciliation should be included as part of the monthly financial package presented to the Village Council for review and approval. As part of this review Council should consider whether deposits and investments are allowable per the Ohio Revised Code. Furthermore, Village Council should document that it has reviewed the monthly financial package and reconciliations (e.g., sign and date the package and bank reconciliations.)

Management concurs and will implement procedures to ensure that bank reconciliations are performed timely and accurately.

FINDING NUMBER 2007-002

Significant Deficiency

Utilities Collections

During our utility receipt testing, we noted that the utility department is not consistently documenting on the utility stubs who collected the payment and the type of payment (i.e. check, cash, etc.) received, including payments in the night drop box. The Clerk-Treasurer is also not consistently signing the daily reconciliation reports, CBR, to ensure proper deposit.

We recommend the Village adopt a procedure requiring initials or some identifying mark from the person performing the task and also documenting the type of payment (i.e. check, cash, etc.) received on the customer stub so that the daily reconciliation can verify the posting in the system against the payment amounts and type through the clerks review of the CBR report. Implementation of this will enable the Village to accurately determine the actual amount of cash receipts/checks, etc., hold individuals accountable for his/her work performed and reduce the risk of fraudulent activity.

Management concurs and will implement procedures to ensure that stubs and reports are reviewed by management.

**VILLAGE OF LOUDONVILLE
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 & 2007**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2005-001	Completed & Timely Bank Reconciliations	No	Reissued as Finding 2007-001



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOUDONVILLE

ASHLAND 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
SEPTEMBER 30, 2008**