



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

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Village of Loudonville
Ashland County
156 North Water Street
Loudonville, Ohio 44842

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your Village 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

Mary Taylor

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March 10, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Loudonville
Ashland County
156 North Water Street
Loudonville, Ohio 44842

To the Village Council:

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, 2009 and 2008. These financial statements are the responsibility of the Village'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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 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 practices and GAAP, we presume they are material.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. 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 GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. 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, 2009 and 2008 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2009 and 2008, or its changes in financial position or cash flows, where applicable 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 and reserves for encumbrances of the Village of Loudonville, Ashland County, Ohio, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As further described in Note 2, the January 1, 2008 fund balances were restated to account for fund type reclassifications and the correction of prior year fund balances.

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 March 10, 2010, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

March 10, 2010

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$178,621	\$195,996	\$8,250		\$382,867
Municipal Income Tax	947,364				947,364
Intergovernmental	183,323	195,170	222,267		600,760
Charges for Services	26,881	155,050			181,931
Fines, Licenses and Permits	25,063	13,286			38,349
Donations and Contributions	26,572	5,000	22,500		54,072
Earnings on Investments	15,988	920		\$1,389	18,297
Miscellaneous	31,899	4,178			36,077
Total Cash Receipts	1,435,711	569,600	253,017	1,389	2,259,717
Cash Disbursements:					
Current:					
Security of Persons and Property	56,269	686,704			742,973
Public Health Services	4,148				4,148
Leisure Time Activities	74,939				74,939
Community Environment	12,329				12,329
Transportation		211,060	30,265		241,325
General Government	809,641			75	809,716
Debt Service:					
Redemption of Principal	38,194	37,978			76,172
Interest and Fiscal Charges	8,660	4,625			13,285
Capital Outlay	53,752	317,754	269,358		640,864
Total Cash Disbursements	1,057,932	1,258,121	299,623	75	2,615,751
Total Cash Receipts Over/(Under) Cash Disbursements	377,779	(688,521)	(46,606)	1,314	(356,034)
Other Financing Receipts / (Disbursements):					
Sale of Fixed Assets	302	49,523			49,825
Transfers-In	12,421	519,140	64,694		596,255
Transfers-Out	(618,574)	(34,620)			(653,194)
Advances-In	8,250		8,250		16,500
Advances-Out	(26,250)		(8,250)		(34,500)
Total Other Financing Receipts / (Disbursements)	(623,851)	534,043	64,694		(25,114)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(246,072)	(154,478)	18,088	1,314	(381,148)
Fund Cash Balances, January 1	494,344	459,529	31,070	109,829	1,094,772
Fund Cash Balances, December 31	\$248,272	\$305,051	\$49,158	\$111,143	\$713,624
Reserve for Encumbrances, December 31	\$65,405	\$23,895	\$27,122	\$0	\$116,422

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$820,542		\$820,542
Donations	8,894	\$240	9,134
Village of Perrysville Taxes		159,439	159,439
Mayor's Court Receipts		27,099	27,099
Miscellaneous	24,449		24,449
	<u>853,885</u>	<u>186,778</u>	<u>1,040,663</u>
Operating Cash Disbursements:			
Personal Services	294,694		294,694
Supplies and Materials	250,275		250,275
Distribution of Village of Perrysville Taxes		159,439	159,439
Distribution of Mayor's Court Receipts		27,045	27,045
Refunds	153		153
	<u>545,122</u>	<u>186,484</u>	<u>731,606</u>
Operating Income	<u>308,763</u>	<u>294</u>	<u>309,057</u>
Non-Operating Cash Receipts:			
Intergovernmental	132,714		132,714
Earnings on Investments	596		596
Sale of Fixed Assets	11,778		11,778
Total Non-Operating Cash Receipts	<u>145,088</u>		<u>145,088</u>
Non-Operating Cash Disbursements:			
Capital Outlay	336,904		336,904
Redemption of Principal	182,870		182,870
Interest and Other Fiscal Charges	76,210		76,210
Other Non-Operating Cash Disbursements		239	239
Total Non-Operating Cash Disbursements	<u>595,984</u>	<u>239</u>	<u>596,223</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers and Advances	(142,133)	55	(142,078)
Transfers-In	65,276		65,276
Transfers-Out	(8,337)		(8,337)
Advances-In	18,000		18,000
Net Cash Receipts Over/(Under) Cash Disbursements	(67,194)	55	(67,139)
Fund Cash Balances, January 1	1,486,840	5,016	1,491,856
Fund Cash Balances, December 31	<u>\$1,419,646</u>	<u>\$5,071</u>	<u>\$1,424,717</u>
Reserve for Encumbrances, December 31	<u>\$101,264</u>		<u>\$101,264</u>

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	
Cash Receipts:					
Property and Local Taxes	\$177,160	\$209,731	\$15,640		\$402,531
Municipal Income Tax	982,644				982,644
Intergovernmental	127,478	158,559	27,239		313,276
Charges for Services	33,624	145,990			179,614
Fines, Licenses and Permits	35,977	13,220			49,197
Donations and Contributions	24,359	440			24,799
Earnings on Investments	56,760	749		\$3,043	60,552
Miscellaneous	51,418	8,623			60,041
Total Cash Receipts	1,489,420	537,312	42,879	3,043	2,072,654
Cash Disbursements:					
Current:					
Security of Persons and Property	68,246	630,187			698,433
Public Health Services	5,315				5,315
Leisure Time Activities	61,208				61,208
Community Environment	23,143				23,143
Transportation		241,482	52,982		294,464
General Government	817,371			81	817,452
Debt Service:					
Redemption of Principal	35,440	36,214			71,654
Interest and Fiscal Charges	11,141	6,391			17,532
Capital Outlay	34,632	116,760	20,515		171,907
Total Cash Disbursements	1,056,496	1,031,034	73,497	81	2,161,108
Total Cash Receipts Over/(Under) Cash Disbursements	432,924	(493,722)	(30,618)	2,962	(88,454)
Other Financing Receipts / (Disbursements):					
Transfers-In		506,685			506,685
Transfers-Out	(573,085)				(573,085)
Advances-In	15,640		15,640		31,280
Advances-Out	(15,640)		(15,640)		(31,280)
Total Other Financing Receipts / (Disbursements)	(573,085)	506,685			(66,400)
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(140,161)	12,963	(30,618)	2,962	(154,854)
Fund Cash Balances, January 1 (Restated)	634,505	446,566	61,688	106,867	1,249,626
Fund Cash Balances, December 31	\$494,344	\$459,529	\$31,070	\$109,829	\$1,094,772
Reserve for Encumbrances, December 31	\$73,127	\$272,574	\$450	\$0	\$346,151

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Charges for Services	\$828,862		\$828,862
Fines and Forfeitures	150		150
Village of Perrysville Taxes		176,639	176,639
Mayor's Court Receipts		30,107	30,107
Miscellaneous	35,085	\$100	35,185
Total Operating Cash Receipts	<u>864,097</u>	<u>206,846</u>	<u>1,070,943</u>
Operating Cash Disbursements:			
Personal Services	309,115		309,115
Supplies and Materials	250,956		250,956
Distribution of Village of Perrysville Taxes		176,639	176,639
Distribution of Mayor's Court Receipts		31,290	31,290
Refunds	1,057		1,057
Total Operating Cash Disbursements	<u>561,128</u>	<u>207,929</u>	<u>769,057</u>
Operating Income (Loss)	<u>302,969</u>	<u>(1,083)</u>	<u>301,886</u>
Non-Operating Cash Receipts:			
Intergovernmental	76,579		76,579
Earnings on Investments	1,615		1,615
Total Non-Operating Cash Receipts	<u>78,194</u>		<u>78,194</u>
Non-Operating Cash Disbursements:			
Capital Outlay	239,342		239,342
Redemption of Principal	33,198		33,198
Interest and Other Fiscal Charges	74,445		74,445
Other Non-Operating Cash Disbursements		100	100
Total Non-Operating Cash Disbursements	<u>346,985</u>	<u>100</u>	<u>347,085</u>
Excess of Cash Receipts Over/(Under) Cash Disbursements Before Interfund Transfers	34,178	(1,183)	32,995
Transfers-In	66,400		66,400
Net Cash Receipts Over/(Under) Cash Disbursements	100,578	(1,183)	99,395
Fund Cash Balances, January 1 (Restated)	<u>1,386,262</u>	<u>6,199</u>	<u>1,392,461</u>
Fund Cash Balances, December 31	<u>1,486,840</u>	<u>5,016</u>	<u>1,491,856</u>
Reserve for Encumbrances, December 31	<u>\$81,649</u>		<u>\$81,649</u>

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

1. Summary of Significant Accounting Policies

A. Description of the Village

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Loudonville, Ashland County, Ohio, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. 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.

The Village participates in the Ohio Government Risk Management Plan public entity risk pool. Note 10 to the financial statements provide additional information for this entity.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Cash

Certificates of deposit are valued at cost.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had 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.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

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

Fire Levy Fund – This fund receives levy monies for operating and maintaining the Village Fire Department.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project 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.

Riverside Park Bridge Fund – This fund receives grant monies to construct a bridge at Riverside Park.

4. Permanent Fund

This fund accounts for assets held under a trust agreement that are legally restricted to the extent that only earnings, not principal, are available to support the Village's programs. The Village had the following permanent fund:

Cemetery Endowment Fund – This fund receives donations and interest revenues. The interest revenues are being used for maintenance to the Village cemetery.

5. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sanitary Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

Wastewater Headworks Project Fund – This fund receives grant monies for wastewater projects.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

Issue II Water and Sanitary Improvement Fund – This fund receives grant monies for water and sanitary sewer improvements.

6. Fiduciary Funds

Fiduciary funds include agency funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village disburses these funds as directed by the individual, organization or other government.

The Village's Agency Funds account for its Mayor's Court which receives money from fines and forfeitures, for income taxes collected on behalf of the Village of Perrysville, and for contractor deposits which are refunded after contract completion.

E. Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2009 and 2008 budgetary activity appears in Note 4.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. Fund Type Reclassifications and Prior Year Adjustments

As of January 1, 2008, the Village reclassified the debt service funds into the water and sewer enterprise funds since the primary purpose of these funds relates to water and sewer activities. The expendable trust fund was reclassified as an agency fund since this fund is used to hold contractor deposits and is not available to support the Village's operations. Additionally, other prior unrecorded fund activity reclassifications were recorded to the correct funds. These reclassifications and adjustments had the following effect on the cash fund balances previously reported.

<u>Cash Fund Balance:</u>	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Enterprise</u>
December 31, 2007	\$631,570	\$452,266	\$68,233	\$1,315,265
Fund Reclassifications			(68,233)	68,233
Other Prior Year Unrecorded Fund Activity Reclassifications	2,935	(5,700)		2,764
January 1, 2008 (restated)	<u>\$634,505</u>	<u>\$446,566</u>	<u>\$0</u>	<u>\$1,386,262</u>

<u>Cash Fund Balance:</u>	<u>Expendable Trust</u>	<u>Agency</u>
December 31, 2007	\$4,008	\$2,191
Fund Reclassifications	(4,008)	4,008
January 1, 2008 (restated)	<u>\$0</u>	<u>\$6,199</u>

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. Equity in Pooled Deposits

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

	2009	2008
Demand deposits	\$1,676,394	\$2,125,421
Certificates of deposit	461,947	461,207
Total deposits	\$2,138,341	\$2,586,628

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

4. Budgetary Activity

Budgetary activity for the years ended December 31, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,925,827	\$1,448,434	(\$1,477,393)
Special Revenue	1,162,438	1,138,263	(24,175)
Capital Projects	180,000	317,711	137,711
Enterprise	907,176	1,064,249	157,073
Permanent	3,500	1,389	(2,111)
Total	\$5,178,941	\$3,970,046	(\$1,208,895)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,372,241	\$1,741,911	\$630,330
Special Revenue	1,462,440	1,316,636	145,804
Capital Projects	211,027	326,745	(115,718)
Enterprise	2,164,157	1,250,707	913,450
Permanent	19,500	75	19,425
Total	\$6,229,365	\$4,636,074	\$1,593,291

The excess of budgetary expenditures over appropriations in the Capital Projects Funds relates to the recording of Ohio Public Works and Ohio Department of Transportation on-behalf grants and related expenditures.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

4. Budgetary Activity (Continued)

2008 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,975,322	\$1,489,420	(\$485,902)
Special Revenue	1,170,608	1,043,997	(126,611)
Capital Projects	67,854	42,879	(24,975)
Enterprise	1,710,427	1,008,691	(701,736)
Permanent	3,000	3,043	43
Total	\$4,927,211	\$3,588,030	(\$1,339,181)

2008 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,447,155	\$1,702,708	\$744,447
Special Revenue	1,440,811	1,303,608	137,203
Capital Projects	94,221	73,947	20,274
Enterprise	2,645,446	989,762	1,655,684
Permanent	3,000	81	2,919
Total	\$6,630,633	\$4,070,106	\$2,560,527

Contrary to Ohio Rev. Code Section 5705.42, the Village did not initially record Ohio Public Works Commission and Ohio Department of Transportation on-behalf grants as a receipt and disbursement in the Village's accounting records.

Contrary to Ohio Rev. Code Section 5705.14, 5705.15 and 5705.16, the Village transferred moneys from a fund other than the General Fund without Court of Common Pleas approval.

5. 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.

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.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

6. Local Income Tax

The Village levies a municipal income tax of 1.75 percent 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.

7. Capital Leases

In prior years and in the current year, the Village entered into various capital leases for equipment. Future minimum lease payments are as follows:

Year ending December 31:	Pumper Truck	Police Cruiser	Ambulance	Street Sweeper	Police Cruiser
2010	\$34,815	\$7,821	\$22,464	\$23,207	\$7,216
2011	34,815	7,821	22,464	30,500	
2012	34,815	7,821	22,464		
2013	34,815		22,464		
2014	34,815		22,464		
2015-2016	69,630				
Total minimum payments required	<u>243,705</u>	<u>23,463</u>	<u>112,320</u>	<u>53,707</u>	<u>7,216</u>
Less: amount representing interest	(34,742)	(1,552)	(12,320)	(3,904)	(327)
Future minimum lease payments	<u>\$208,963</u>	<u>\$21,911</u>	<u>\$100,000</u>	<u>\$49,803</u>	<u>\$6,889</u>

8. Debt

Debt outstanding at December 31, 2009 was as follows:

	Principal	Interest Rate
OWDA Loans	\$857,368	4.56% - 7.77%
OPWC Water Treatment Plant Loan	234,750	0%
Mortgage Revenue Bonds	660,500	4.50%
Total	<u>\$1,752,618</u>	

The 1992 Ohio Water Development Authority (OWDA) loan relates to a reservoir project.

The 2006 Ohio Water Development Authority (OWDA) loan relates to construction of a water plant project.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

8. Debt (Continued)

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, relates to the water plant improvement project.

The Storm Sewer Mortgage Revenue Bonds, relates to a sanitary sewer replacement project. The 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 enterprise funds. The balances in these funds at December 31, 2009 are \$38,931 and \$0, respectively.

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

Year ending December 31:	OWDA Loans	OPWC Water Treatment Plant Loan	Mortgage Revenue Bonds
2010	\$115,633	\$15,650	\$38,822
2011	115,949	15,650	38,813
2012	68,484	15,650	38,785
2013	68,484	15,650	38,740
2014	68,484	15,650	38,876
2015 - 2019	342,419	78,250	194,007
2020 - 2024	342,419	78,250	193,970
2025 - 2029	68,484		193,993
2030 - 2034			194,023
2035 - 2039			193,935
2040 - 2042			116,443
Total	\$1,190,356	\$234,750	\$1,280,407

9. Retirement Systems

The Village's law enforcement officers and paramedics belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2009 and 2008, OP&F participants contributed 10% of their wages. For 2009 and 2008, the Village contributed to OP&F an amount equal to 19.5% of full-time police members' and paramedics' wages. For 2009 and 2008, OPERS members contributed 10% of their gross salaries and the Village contributed an amount equaling 14% of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

10. Risk Management

Risk Pool Membership

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. These coverage programs, referred to as Ohio Plan Risk management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retain 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had over 650 members as of December 31, 2008 (the latest information available). The Village participates in this coverage.

In August, 2007, OGRMP formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 40 members as of December 31, 2008 (the latest information available). The Village does not participate in this coverage.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2008 and 2007 (the latest information available), and include amounts for both OPRM and OPHC:

	<u>2008</u>	<u>2007</u>
Assets	\$10,471,114	\$11,136,455
Liabilities	<u>(5,286,781)</u>	<u>(4,273,553)</u>
Members' Equity	<u>\$5,184,333</u>	<u>\$6,862,902</u>

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)

10. Risk Management (Continued)

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

11. Contingent Liabilities

The Village is currently not a defendant in any lawsuits.

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

12. Related Party Transactions

A Village Councilperson is partial owner of an auto parts store which the Village did business with. In 2009 and 2008, the Village paid a total of \$2,983 and \$3,266, respectively, to the auto parts store.



Mary Taylor, CPA

Auditor of State

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

Village of Loudonville
Ashland County
156 North Water Street
Loudonville, Ohio 44842

To the Village Council:

We have audited the financial statements of the Village of Loudonville, Ashland County, Ohio, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated March 10, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village restated fund balances. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2009-001 through 2009-004 described in the accompanying Schedule of Findings 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, providing an opinion 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 2009-001 and 2009-002.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated March 10, 2010.

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

We intend this report solely for the information and use of management, Village Council and others within the Village. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

March 10, 2010

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2009-001

Noncompliance/Material Weakness

Ohio Rev. Code Section 5705.42 requires in part, when the state or any department, division, agency authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision.

In 2009, the Village received \$192,130 of Ohio Department of Transportation (ODOT) moneys for bikeways involved with the Riverside Park Bridge Project. Under the terms of this agreement, ODOT makes some project payments directly to the vendor/contractor(s) on the Village's behalf. The Village did not recognize the \$192,130 as receipts and disbursements in their general ledger, thus understating their receipts and disbursements. An adjustment was made to the financial statements to recognize these receipts and disbursements.

In 2008, the Village received \$65,609 of Ohio Public Works Commission (OPWC) moneys for water and wastewater improvements. Under the terms of these agreements, OPWC makes some project payments directly to the vendor/contractor(s) on the Village's behalf. Of the \$65,609 of OPWC moneys, the Village did not recognize \$55,391 as receipts in their general ledger, thus understating their receipts. In addition, the \$55,391 was recognized by the Village as 2009 disbursements rather than 2008 activity, and \$8,315 was recognized by the Village as 2009 receipts and disbursements rather than 2008 activity. An adjustment was made to the financial statements to recognize \$55,391 of receipts and disbursements in 2008. The \$8,315 was reported to management as an unadjusted item.

Any payments made on behalf of the Village by another party should be recorded by the Village as a receipt and disbursement in the same year the activity occurred. Failure to do so results in an understatement of receipts and disbursements. The Village should refer to Auditor of State Bulletin 2002-004 for additional guidance.

FINDING NUMBER 2009-002

Noncompliance/Material Weakness

Ohio Rev. Code Sections 5705.14, 5705.15 and 5705.16 provide guidelines pertaining to allowable interfund transfers. Ohio Rev. Code Section 5705.14 provides interfund transfers shall only be made by resolution of the taxing authority. See also 1989 Op. Att'y Gen. No. 89-075 (Ohio Rev. Code Section 5705.14(E) has been interpreted to require a resolution passed by a simple majority when transferring funds from the general revenue fund to specific funds.) In certain circumstances, which are detailed in Ohio Rev. Code Section 5705.14, transfers from funds other than the General Fund may be made by a resolution passed by a two-thirds vote of the taxing authority. Additionally, pursuant to Ohio Rev. Code Section 5705.15 and 5705.16, certain transfers outside the parameters of Ohio Rev. Code Section 5705.14 may be permitted with the approval of the Tax Commissioner and the Court of Common Pleas.

In 2008, a \$47,807 transfer from the Water Fund to the General Fund did not meet the aforementioned Ohio Revised Code requirements because the transfer was out of a restricted fund and was not approved by the Tax Commissioner and the Court of Common Pleas. An adjustment was made to the financial statements to eliminate this transfer. Additionally, the cash fund balance effect of the adjustment was posted to the Village's books.

FINDING NUMBER 2009-002 (Continued)

In 2009, \$49,694 of 2009 transfers were posted to intergovernmental receipts rather than transfers in for the Riverside Park Bridge Fund and Cultural Facility Project Fund, and a \$3,235 bank transfer was posted to the books as a transfer in the Cemetery Fund and capital outlay disbursement for the Cemetery Endowment fund. In 2008, a \$1,365 Council approved transfer was posted to the books as a receipt and disbursement rather than a transfer in for the Mayor's Court Computer Fund and transfer out for the General Fund. These amounts were adjusted to the financial statements. Additionally, the cash fund balance effect of these adjustments was posted to the Village's books.

Whenever possible and allowable, the Village should directly receipt monies into the appropriate funds rather than transferring these monies. In addition, the Village should ensure transfers are properly posted to the transfers in and out line items.

FINDING NUMBER 2009-003

Material Weakness

Cash Reconciliation

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash and investment balances according to the entity's records at a specific point in time.

The December 31, 2009 and 2008 bank reconciliations initially showed a bank over book variances of \$91,590 and \$12,101, respectively. Our audit testing revealed these variances consisted of various errors including, but not limited to, un-posted deposits, duplicate posted receipts and overstated/understated disbursements. Adjustments were made to the financial statements to correct these differences. Additionally, the cash fund balance effect of these adjustments was posted to the Village's books.

Without complete and accurate monthly bank reconciliations, the Village's internal control is significantly weakened which could hinder management's timely detection of errors or irregularities. The Village should perform complete monthly bank reconciliations in a timely manner. Also, copies of the monthly bank reconciliations and listing of outstanding checks and other reconciling items should be provided to the Council or Finance Committee each month for review. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Additionally, the Village used a separate payroll checking account as a clearing account for its payroll and related withholding checks. Typically, payroll clearing accounts reconcile to a \$0 balance (i.e. the outstanding checks should equal the bank balance).

The payroll account was not reconciled during 2009 or 2008 and no outstanding check list was available, therefore we were unable to determine whether this account reconciled to a \$0 balance. However, we were able to determine through our audit procedures that this account did not have a significant balance and therefore no audit adjustment was made.

In order to ensure the payroll clearing account reconciles as intended, the Village should prepare an outstanding check list and reconcile its payroll account monthly. The payroll checking account reconciliation should also be included in the reports presented to Council and the Finance Committee monthly.

FINDING NUMBER 2009-004

Material Weakness

Mayor's Court Procedures

In 2009 and 2008, the Village did not record all of the activity for the Mayor's Court on the Village's books. The Mayor's Court records are kept separate from the Village's books, and each month a check is written to the Village for its portion of the fines and fees and a separate check is issued to the State for its portion of the fines and costs. This practice does not report the Village's entire financial activity on their financial statements, which could result in the Mayor's Court activity being overlooked and not being reviewed or monitored by Council. The variances between the Mayor's Court activity and what was posted to the Village books are:

- In 2009, Mayor's Court receipts and disbursements were understated \$16,901 and \$19,509, respectively, as a result of the activity not being recorded to the Mayor's Court Agency Fund. These amounts were adjusted to the financial statements and the cash fund balance effect of these adjustments were posted to the Village's books.
- In 2008, Mayor's Court receipts were understated \$150 and disbursements overstated \$450 as a result of incomplete or inaccurate activity being recorded to the Mayor's Court Agency Fund. These amounts were adjusted to the financial statements and the cash fund balance effect of these adjustments were posted to the Village's books.

The fines and costs should be originally recorded in an Agency Fund, and then only the portion of fines and costs due to the Village should be recorded as a receipt in the General Fund and Mayor's Court Computer Fund to clearly account for the portion of court receipts legally belonging to the Village. The fines and costs due to the state should also be paid from this Agency Fund. This will allow for the entire activity of the Village to be included on the Village's books for Council's review, and will help ensure more accurate financial statements.

Officials' Response: In response to all findings, the Village of Loudonville has taken the appropriate measures to correct the weaknesses.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Bank Reconciliations – Bank reconciliations were not completed timely.	No	Repeated as Finding No 2009-003.
2007-002	Utility Collections – Certain control deficiencies were noted for utilities collections.	Yes	Finding No Longer Valid.



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
MAY 6, 2010