



Mary Taylor, CPA
Auditor of State

VILLAGE OF LUDLOW FALLS
MIAMI COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Ludlow Falls
Miami County
P.O. Box 159
Ludlow Falls, Ohio 45339

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 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. 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

Mary Taylor, CPA
Auditor of State

June 29, 2010

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Ludlow Falls
Miami County
P.O. Box 159
Ludlow Falls, Ohio 45339

To the Village Council:

We have audited the accompanying financial statements of Village of Ludlow Falls, Miami County, (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 requires 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 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 Ludlow Falls, Miami County, 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.

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 June 29, 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.

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

June 29, 2010

**VILLAGE OF LUDLOW FALLS
MIAMI 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>	
Cash Receipts:			
Property and Local Taxes	\$6,592		\$6,592
Intergovernmental	18,097	\$11,317	29,414
Special Assessments		4,118	4,118
Fines, Licenses and Permits	1,913		1,913
Earnings on Investments	323	234	557
Total Cash Receipts	<u>26,925</u>	<u>15,669</u>	<u>42,594</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,800		2,800
Leisure Time Activities	1,255	124	1,379
Basic Utility Service	696	3,984	4,680
Transportation		16,013	16,013
General Government	10,824	213	11,037
Total Cash Disbursements	<u>15,575</u>	<u>20,334</u>	<u>35,909</u>
Total Receipts Over/(Under) Disbursements	<u>11,350</u>	<u>(4,665)</u>	<u>6,685</u>
Fund Cash Balances, January 1	<u>41,159</u>	<u>44,871</u>	<u>86,030</u>
Fund Cash Balances, December 31	<u>\$52,509</u>	<u>\$40,206</u>	<u>\$92,715</u>
Reserve for Encumbrances, December 31	<u>\$633</u>	<u>\$16</u>	<u>\$649</u>

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

**VILLAGE OF LUDLOW FALLS
MIAMI 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>	
Cash Receipts:			
Property and Local Taxes	\$7,304		\$7,304
Intergovernmental	19,039	\$11,940	30,979
Special Assessments		4,319	4,319
Fines, Licenses and Permits	1,189		1,189
Earnings on Investments	700	573	1,273
Miscellaneous	26		26
Total Cash Receipts	<u>28,258</u>	<u>16,832</u>	<u>45,090</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	2,800		2,800
Public Health Services		152	152
Leisure Time Activities	1,430		1,430
Basic Utility Service	492	3,984	4,476
Transportation	2,359	2,033	4,392
General Government	17,989	221	18,210
Total Cash Disbursements	<u>25,070</u>	<u>6,390</u>	<u>31,460</u>
Total Receipts Over/(Under) Disbursements	<u>3,188</u>	<u>10,442</u>	<u>13,630</u>
Fund Cash Balances, January 1	<u>37,971</u>	<u>34,429</u>	<u>72,400</u>
Fund Cash Balances, December 31	<u>\$41,159</u>	<u>\$44,871</u>	<u>\$86,030</u>
Reserve for Encumbrances, December 31	<u>\$208</u>	<u>\$47</u>	<u>\$255</u>

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

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Ludlow Falls, Miami County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services. The Village contracts with the Ludlow Falls Volunteer Fire Department to receive fire protection.

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. Deposits and Investments

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

The Village values Certificates of Deposit at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 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 LUDLOW FALLS
MIAMI COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

State Highway Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining, and repairing Village streets.

Street Lighting Fund – This fund receives special assessments to be used to pay for street lighting in the Village.

E. Budgetary Process

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

1. 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 Village Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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. The Village did not encumber all commitments required by Ohio law.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

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.

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Demand deposits	\$71,494	\$50,213
Certificates of deposit	2,551	17,199
STAR Ohio	18,670	18,618
Total deposits	<u>\$92,715</u>	<u>\$86,030</u>

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

Deposits: Deposits are insured by the Federal Depository Insurance Corporation.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

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

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$38,017	\$26,925	(\$11,092)
Special Revenue	15,666	15,669	3
Total	<u>\$53,683</u>	<u>\$42,594</u>	<u>(\$11,089)</u>

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 73,485	\$16,208	\$57,277
Special Revenue	55,697	20,350	35,347
Total	<u>\$129,182</u>	<u>\$36,558</u>	<u>\$92,624</u>

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$26,224	\$28,258	\$2,034
Special Revenue	16,585	16,832	247
Total	<u>\$42,809</u>	<u>\$45,090</u>	<u>\$2,281</u>

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,798	\$25,278	\$46,520
Special Revenue	53,976	6,437	47,539
Total	<u>\$125,774</u>	<u>\$31,715</u>	<u>\$94,059</u>

4. 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.

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

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

4. PROPERTY TAX (Continued)

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.

5. RETIREMENT SYSTEMS

All Village officials contribute to Social Security. For 2009 and 2008, members of Social Security system contributed 6.2 percent their gross salaries. The Village contributed an amount equal to 6.2 percent of participant's gross salaries. The Village has paid all contributions required through December 31, 2009.

6. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Vehicles; and
- Errors and omissions.



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 Ludlow Falls
Miami County
P.O. Box 159
Ludlow Falls, Ohio 45339

To the Village Council:

We have audited the financial statements of the Village of Ludlow Falls, Miami County, (the Village), as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated June 29, 2010, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 opinions 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, in performing their assigned functions, to prevent or detect, and timely correct misstatements. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented or detected and timely corrected. We consider Findings 2009-005 through 2009-008 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 through 2009-004.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated June 29, 2010.

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

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

Mary Taylor, CPA
Auditor of State

June 29, 2010

VILLAGE OF LUDLOW FALLS
MIAMI COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2009 AND 2008

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

FINDING NUMBER 2009-001

Noncompliance – Certification of Availability of Funds was not Obtained Prior to Commitment

Ohio Rev. Code Section 5705.41(D)(1) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.

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

The Village did not properly certify the availability of funds prior to purchase commitments for 78 out of the 108 or 72 percent of items tested. There was some evidence that the Village followed the aforementioned exceptions after the result of the prior years' audit, although, the exceptions were not always used. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

**FINDING NUMBER 2009-001
(Continued)**

The Village should ensure that all expenditures have been encumbered before an order or contract has been made. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's fund exceeding budgetary spending limitations, we recommend that the Village's Fiscal Officer certify that the funds are or will be available prior to the obligation by the Village. When prior certification is not possible, a "then and now" certification should be used.

The Village should ensure that when using a "then and now" certification, the Council approves all expenditures over \$3,000. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Village's Fiscal Officer should sign the certification at the time the Village incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Village's Fiscal Officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

FINDING NUMBER 2009-002

Noncompliance – Maintaining Records

Ohio Rev. Code Section 149.351 (A) states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully.

The Village did not maintain supporting documentation for 17 out of 108 items or 16 percent of the expenditures for a total of \$5,225 of expenditures tested (\$748 for 2008 and \$4,477 for 2009).

Failure to retain these required public records results in an incomplete audit trail and could cause potential problems for future management decisions and could result in findings for recovery in future audits. The Auditor of State was able to determine the legitimacy of the majority of these expenditures through alternate methods such as contract, payroll information, etc.

The Village should implement procedures which would require supporting documentation to be obtained prior to remitting payment which would strengthen control over their physical assets and preservation of records.

FINDING NUMBER 2009-003

Noncompliance - Earnings on Investments

Article XII, Section 5a, Ohio Const. and 1982 Op. Atty. Gen. No. 82-031 states that interest earned on money derived from a motor vehicle license or fuel tax must follow the principal.

During 2008 and 2009 the Village posted all earnings on investments to the General Fund and had not distributed earnings to the Street or the State Highway Funds.

- For 2008, the General Fund earnings on investments were overstated by \$573 and the Street Fund and State Highway Fund earnings on investments were understated by \$369 and \$204, respectively.
- For 2009, the General Fund earnings on investments were overstated by \$234 and the Street Fund and State Highway Funds earnings on investment were understated by \$150 and \$84, respectively.

Failure to credit interest earned by the Street and State Highway Fund to those funds has led to the individual fund balances being misstated. The required adjustments have been made to the accompanying financial statements.

The Village should distribute a proportionate share of interest earned to the Street and State Highway Funds, as required by law.

FINDING NUMBER 2009-004

Noncompliance – Failure to File an Accurate Annual Report

Ohio Rev. Code Section 117.38 states in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The report shall be certified by the proper officer or board and filed with the auditor of state within sixty days after the close of the fiscal year. Also, the public office must publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village had not filed a 2009 Annual Report, as of the opinion date, and did not file the 2008 Annual Report until May 3, 2010. The Village's 2009 report was significantly deficient due to special assessment revenue received in the amount of \$1,595 which had not been posted to Village ledgers or included in the annual report. Also, the 2009 street fund general ledger balance was \$994 less than annual report amount. Additionally, there were several mispostings in both 2009 and 2008. Also, the Village did not publish a notice in a local newspaper that the financial report was available for public inspection for fiscal years 2009 or 2008.

Failure to file the annual report as required could result in fines being assessed the Village. In addition, the failure to present an accurate annual report may result in materially misstated financial statements. Various adjustments were required to present accurate financial statements for both 2009 and 2008.

The Village should adopt appropriate monitoring procedures and practices to provide an accurate and complete annual report that comply with these requirements.

FINDING NUMBER 2009-005

Material Weakness – Financial Records and Reports

The Village tracked fund cash balances in a manual cash journal. Transactions from the cash journal were manually posted to the appropriation or revenue ledger based on the transaction type. The appropriation and revenue ledgers were then used to create annual reports that were provided for audit. The following errors led to the creation of deficient annual reports:

- The prior period fund balance audit adjustments, which had been made, were not carried forward in the cash journal which resulted in the beginning fund balances for 2008 to not agree to the ending fund balances for 2007 by \$2,838
- Transactions entered into the cash journal were not always correctly posted, posted to the appropriation/revenue ledger, or posted at all.
- The individual revenue/appropriation ledger accounts were not in agreement with the amounts shown on the annual reports for all accounts.

Failure to carry forward prior year fund balance audit adjustments and post all cash transactions to the cash journal and supporting ledgers, and reconcile these ledgers with the cash journal, the annual report and the bank reconciliation led to problems in creating an accurate annual financial report. This, in turn, led to various audit adjustments.

The Village should verify that all fund balance audit adjustments and cash transactions for a particular year are entered into the cash journal and appropriation/revenue ledgers. The appropriation/revenue ledgers can then be relied upon to create an accurate annual report. The annual report should be complete and fund balances shown should agree to the cash journal and year-end bank reconciliation.

FINDING NUMBER 2009-006

Material Weakness -Monitoring of Records

The Village Council was provided a monthly Statement of Balances by Fund at each Council meeting. This was a manual report that included beginning fund balance, receipts, expenditures and ending fund balance for each fund. Council did not review budget versus actual information, bank reconciliations or bank statements.

Failure to review and approve such financial activity on a monthly basis could lead to errors or fraud occurring and not being detected in a timely manner.

The Village Council should review budget versus actual information on a monthly basis as this would serve as an important monitoring tool in detecting and preventing fraud and/or error. The Village Council should also review monthly bank reconciliations and bank statements to determine if the financial records are reconciled to the bank. The review and approval of this information should be documented in the Council minutes.

FINDING NUMBER 2009-007

Material Weakness - Posting of Receipts and Disbursements

The proper classification of receipts and disbursements are essential for the financial statements to accurately reflect the financial activity of the Village. The following receipt and disbursement posting errors were noted:

- Tax Settlements were posted at net rather than gross on several occasions thus resulting in the General Fund General Government expenses for Auditor and Treasurer Fees being understated by \$147 and \$112, for 2008 and 2009, respectively.
- Auditor and Treasurer Fees, in the amount of \$221 and \$213, for the Special Revenue Special Assessment fund, relating to 2008 and 2009, respectively, had not been posted.
- Homestead and rollback, personal property reimbursement, excess IRP and public utility gas and electric reimbursement monies were posted as property tax revenue in the General Fund during 2009 and 2008 in the amount of \$1,887 and \$1,794 respectively rather than as intergovernmental revenue.
- Miami County Municipal Court fines for 2008, in the amount of \$165, were incorrectly posted as miscellaneous receipts instead of Fines, Licenses and Permits in the General Fund.
- Special assessment revenue of \$2,309 was posted as miscellaneous revenue and special assessment revenue received for street lights in amount of \$1,596 was not posted in 2009.

The failure to accurately and timely post transactions resulted in the misstatement of the financial statements. The above adjustments have been made to the accompanying financial statements.

The Village should perform necessary procedures to properly code and post receipts and expenditures to ensure that all Village activity is properly and timely reflected on their annual financial statements.

FINDING NUMBER 2009-008

Material Weakness - Bank Reconciliations

The Village prepared monthly bank reconciliation during 2008 and 2009 in which the cash journal was reconciled to the bank balances. The following problems were noted with the Village's monthly bank reconciliations:

- The Village did not have documentation to support the certificate of deposit balance shown on the monthly reconciliations. For the 2009 and 2008 year-end, the certificate of deposit balance was understated on the monthly reconciliation by approximately \$248.
- The fund cash balance according to the December 2008 and 2009 bank reconciliations did not agree to the fund cash balance according to the annual financial reports provided for 2008 and 2009 by \$248.

FINDING NUMBER 2009-008
(Continued)

- The outstanding check list included on the monthly bank reconciliations did not list check numbers for the outstanding checks, only individual check amounts were shown.
- A deposit in transit at December 31, 2009, in the amount of \$2,492, used in the bank reconciliation was not able to be verified.

Failure to prepare accurate and complete bank reconciliations and to determine that the fund cash balance according to the bank reconciliations agree to the annual reports could lead to errors or fraud occurring and not being detected in a timely manner. In addition, this situation has resulted in various audit adjustments.

The Village should adopt and implement controls to ensure that accurate and complete bank reconciliations that agree to the monthly cash journal and year-end annual financial reports. The certificate of deposit balance should be supported by information provided from the bank showing the value of the certificate at the certificate purchase date.

Officials Response:

Officials chose not respond to these findings.

**VILLAGE OF LUDLOW FALLS
MIAMI 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	No	Repeated as 2009-008
2007-002	Financial Records and Reports	No	Repeated as 2009-005
2007-003	Village Council Monitoring of Financial Activity	No	Repeated as 2009-006
2007-004	Posting of Receipts and Disbursements	No	Repeated as 2009-007
2007-005	Earnings on Investment	No	Repeated as 2009-003
2007-006	Ohio Rev. Code 5705.41(D) – Prior Certification of Expenditures	No	Repeated as 2009-001
2007-007	Ohio Rev. Code 117.38 – Filing of Annual Report	No	Repeated as 2009-004
2007-008	Ohio Rev. Code 5705.39 – Appropriations exceeding estimated resources	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF LUDLOW FALLS

MIAMI 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
AUGUST 19, 2010**