



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LUDLOW FALLS
MIAMI COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Report of Independent Accountants	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2000	4
Notes to the Financial Statements	5
Report of Independent Accountants on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	9
Schedule of Findings	11
Schedule of Prior Audit Findings.....	13

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To Village Council:

We have audited the accompanying financial statements of the Village of Ludlow Falls, Miami County, (the Village) as of and for the years ended December 31, 2001 and 2000. 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 *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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2001 and 2000, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2002 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a cursive "Petro".

Jim Petro
Auditor of State

September 10, 2002

**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, 2001**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,954		\$5,954
Special Assessments		\$3,760	3,760
Intergovernmental Receipts	25,737	11,451	37,188
Fines, Licenses, and Permits	25		25
Earnings on Investments	1,707		1,707
Miscellaneous	1,160	155	1,315
	<u>34,583</u>	<u>15,366</u>	<u>49,949</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	3,000		3,000
Leisure Time Activities		119	119
Basic Utility Services	505	4,046	4,551
Transportation	15,495	17,967	33,462
General Government	7,992	191	8,183
	<u>26,992</u>	<u>22,323</u>	<u>49,315</u>
Total Receipts Over/(Under) Disbursements	7,591	(6,957)	634
Fund Cash Balances, January 1, 2001	<u>51,938</u>	<u>12,599</u>	<u>64,537</u>
Fund Cash Balances, December 31, 2001	<u>59,529</u>	<u>5,642</u>	<u>65,171</u>
Reserve for Encumbrances, December 31, 2001	<u>\$10,154</u>	<u>\$0</u>	<u>\$0</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, 2000**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts:			
Property Tax and Other Local Taxes	\$5,936		\$5,936
Special Assessments		\$3,875	3,875
Intergovernmental Receipts	21,728	10,357	32,085
Miscellaneous	3,274		3,274
 Total Cash Receipts	 30,938	 14,232	 45,170
Cash Disbursements:			
Current:			
Security of Persons and Property	3,100		3,100
Leisure Time Activities	20	131	151
Basic Utility Services	523	4,016	4,539
Transportation	44,735	13,710	58,445
General Government	9,659	198	9,857
 Total Cash Disbursements	 58,037	 18,055	 76,092
 Total Receipts Over/(Under) Disbursements	 (27,099)	 (3,823)	 (30,922)
 Fund Cash Balances January 1, 2000	 79,037	 16,422	 95,459
 Fund Cash Balances, December 31, 2000	 \$51,938	 \$12,599	 \$64,537

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, 2001 AND 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Ludlow Falls, Miami County, (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 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 and Investments

Investments are included in fund balances. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposits are valued at cost. STAR Ohio is recorded at share values reported by the fund.

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

2. Special Revenue Fund

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 had the following significant Special Revenue Funds:

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

Street Lighting Fund – Special assessments received from the County Auditor are paid into this fund and used to pay for street lighting in the Village.

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 and 2000 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2001	2000
Demand deposits	\$ 30,295	\$31,015
Certificates of deposit	14,591	14,045
Total deposits	44,886	45,060
STAR Ohio	\$20,285	\$19,477
Total deposits and investments	\$65,171	\$64,537

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.

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2001 and 2000 follows:

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,915	\$34,583	\$6,668
Special Revenue	16,000	15,366	(634)
Total	<u>\$43,915</u>	<u>\$49,949</u>	<u>\$6,034</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 66,618	\$ 37,146	\$29,472
Special Revenue	41,684	22,323	19,361
Total	<u>\$108,302</u>	<u>\$ 59,469</u>	<u>\$48,833</u>

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$27,727	\$30,938	\$3,211
Special Revenue	16,000	14,232	(1,768)
Total	<u>\$43,727</u>	<u>\$45,170</u>	<u>\$1,443</u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 93,679	\$ 58,037	\$35,642
Special Revenue	45,534	18,055	27,479
Total	<u>\$139,213</u>	<u>\$ 76,092</u>	<u>\$63,121</u>

Contrary to Ohio Rev. Code Section 5705.41(D) the village did not always certify the availability of funds prior to purchase commitments during the audit period.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding 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 payment, the first half is due December 31. The second half payment is due the following June 20.

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 LUDLOW FALLS
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2001 AND 2000
(Continued)**

5. RISK MANAGEMENT

Commercial Insurance

The Village has obtained commercial insurance for the following risks:

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



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND
ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

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

To Village Council:

We have audited the accompanying financial statements of the Village of Ludlow Falls (the Village) as of and for the years ended December 31, 2001 and 2000, and have issued our report thereon dated September 10, 2002. 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.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30355-001 through 2001-30355-006. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 10, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 10, 2002.

Village of Ludlow Falls
Miami County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended solely for the information and use of management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

Jim Petro
Auditor of State

September 10, 2002

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2001 AND 2000**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2001-30355-001

Ohio Rev. Code Section 5705.41 (D), provides that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money without attaching thereto the certificate of the fiscal officer of the subdivision that the amount required to meet the same in the fiscal year in which the contract is made has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Contracts and orders for expenditures lacking prior certification should be null and void.

This section also provides an exception to this requirement:

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that these funds were properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment. After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000, the taxing authority must approve of such payment within 30 days of the date of the fiscal officer's certification. The Village did not obtain prior certifications, or use the exception noted above, for 53% of the transactions tested in 2000 and 2001. The Village should adopt policies and procedures to determine that all purchase commitments are approved and that appropriations are available prior to the commitment of Village funds.

FINDING NUMBER 2001-30355-002

Ohio Rev. Code Section 5747.06 requires every employer to deduct and withhold from compensation for each payroll period a tax computed in such a manner as to result, as far as practicable, in withholding from the employee's compensation during each calendar year an amount substantially equivalent to the tax reasonably estimated to be due from the employee.

During the audit period, the Village did not deduct, from any of their employees, State Income Tax from wages earned as required by this Section. For the years ended December 31, 2001 and 2000, the Village incurred gross wages of \$4,318 and \$4,685, respectively, which was comprised of the salaries for the council members, clerk/treasurer, and two part-time street employees. The Village should contact the State of Ohio-Department of Taxation to obtain the proper forms and schedules and withhold and remit these monies to the State.

FINDING NUMBER 2001-30355-003

Ohio Rev. Code Section 145.47 and 145.48 states that the fiscal officer of each local authority subject to this chapter shall transmit promptly to the secretary of the Public Employees Retirement Board (PERS) a report of contributions at such intervals and in such form as the board shall require, showing thereon all deductions for the public employees retirement system made from the earnable salary of each contributor employed and the employer contributions, together with warrants or checks covering the total of such deductions.

During the audit period, the Village did not deduct or provide employer contributions, for any of their employees, PERS payments from wages earned as required by this Section. For the years ended December 31, 2001 and 2000, the Village incurred gross wages of \$4,318 and \$4,685, respectively, which was comprised of the salaries for the council members, clerk/treasurer, and two part-time street employees. The Village should contact the State of Ohio-Public Employees Retirement system to obtain the proper forms, schedules, and procedures and rules for employee waivers.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
(Continued)**

FINDING NUMBER 2001-30355-004

26 C.F.R Section 1.6041-2, provides that wages, as defined in 26 United States Code Section 3401, are to be reported on a form W-2.

During the audit period, the Village reported gross wages, for all of their employees, on 1099 forms. The Village should contact the Internal Revenue Service to obtain the proper forms and withholding schedules and develop procedures to aid in the completion of W-2 forms for all employees. If the Village does not take corrective action, this matter will be referred to the Internal Revenue Service.

FINDING NUMBER 2001-30355-005

26 U.S.C. Section 3102 (A) of the Internal Revenue Code requires employers to withhold Social Security Medicare Tax from employees hired on or after April 1, 1986.

During the audit period, the Village did not withhold Medicare Tax from employees hired after April 1, 1986, as required by this section. The Village should develop and implement procedures to withhold all necessary income taxes and remit them in a timely manner. If the Village does not take corrective action, this matter will be referred to the Internal Revenue Service.

FINDING NUMBER 2001-30355-006

26 U.S.C. Section 3402, requires employers making payment of wages to deduct and withhold from such wages a tax determined in accordance with tables or computational procedures prescribed by the secretary of Treasury. During the audit period, the Village did not deduct Federal Income Tax, from any of their employees, as required by this section. For the years ended December 31, 2001 and 2000, the Village incurred gross wages of \$4,318 and \$4,685, respectively, which was comprised of the salaries for the council members, clerk/treasurer, solicitor, and two part-time street employees. The Village should contact the Internal Revenue Service to obtain the proper forms, schedules, and procedures and rules for employee withholdings and remittances. If the Village does not take corrective action, this matter will be referred to the Internal Revenue Service.

**VILLAGE OF LUDLOW FALLS
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001 AND 2000**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
199-30355-001	Ohio Rev. Code Section 5705.41(D), failure to certify funds.	No	Repeated as 2001-30355-001



STATE OF OHIO
OFFICE OF THE AUDITOR

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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
OCTOBER 8, 2002**