



**Auditor of State
Betty Montgomery**

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

TABLE OF CONTENTS

<u>TITLE</u>	<u>PAGE</u>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental and Similar Fiduciary Fund Type For the Year Ended December 31, 2003.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Proprietary and Similar Fiduciary Fund Types For the Year Ended December 31, 2003.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	15
Schedule of Prior Audit Findings.....	17

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Loudonville
Ashland County
P.O. Box 150
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 year ended December 31, 2003. 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 as of December 31, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2004 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.

Village of Loudonville
Ashland County
Independent Accountants' Report
Page 2

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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 1, 2004

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$167,730	\$200,457				\$368,187
Municipal Income Taxes	953,466					953,466
Intergovernmental Receipts	264,457	126,488		\$12,963		403,908
Charges for Services	33,485	118,050				151,535
Fines, Licenses, and Permits	50,059	4,851				54,910
Earnings on Investments	8,093	131	\$321			8,545
Miscellaneous	59,705	4,948				64,653
Total Cash Receipts	1,536,995	454,925	321	12,963		2,005,204
Cash Disbursements:						
Current:						
Security of Persons and Property	74,406	492,847				567,253
Public Health Services	5,340					5,340
Leisure Time Activities	41,616					41,616
Community Environment	4,682					4,682
Transportation		195,962				195,962
General Government	570,912					570,912
Debt Service:						
Principal Payments	27,833	10,369	227,030			265,232
Interest Payments	24,762	726	44,703			70,191
Capital Outlay	28,959	50,447		70,029		149,435
Total Cash Disbursements	778,510	750,351	271,733	70,029		1,870,623
Total Receipts Over/(Under) Disbursements	758,485	(295,426)	(271,412)	(57,066)		134,581
Other Financing Receipts/(Disbursements):						
Sale of Bond or Notes			141,193	1,800		142,993
Transfers-In		369,920	132,655	50,000		552,575
Transfers-Out	(523,600)					(523,600)
Advances-In	13,122			13,122		26,244
Advances-Out	(13,122)			(13,122)		(26,244)
Other Sources					\$144	144
Other Uses	(19,780)	(375)			(244)	(20,399)
Total Other Financing Receipts/(Disbursements)	(543,380)	369,545	273,848	51,800	(100)	151,713
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	215,105	74,119	2,436	(5,266)	(100)	286,294
Fund Cash Balances, January 1	353,281	181,838	94,422	7,934	4,033	641,508
Fund Cash Balances, December 31	\$568,386	\$255,957	\$96,858	\$2,668	\$3,933	\$927,802
Reserves for Encumbrances, December 31	\$23,316	\$134,834	\$0	\$0	\$0	\$158,150

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 SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$781,558			\$781,558
Earnings on Investments		\$1,166		1,166
Miscellaneous	18,415			18,415
Total Operating Cash Receipts	<u>799,973</u>	<u>1,166</u>		<u>801,139</u>
Operating Cash Disbursements:				
Personal Services	250,127			250,127
Contractual Services	76,235			76,235
Supplies and Materials	93,254	327		93,581
Capital Outlay	20,910	500		21,410
Total Operating Cash Disbursements	<u>440,526</u>	<u>827</u>		<u>441,353</u>
Operating Income	<u>359,447</u>	<u>339</u>		<u>359,786</u>
Non-Operating Cash Receipts:				
Village of Perrysville Taxes			\$141,679	141,679
Mayor's Court Receipts			63,474	63,474
Miscellaneous	5,075			5,075
Other Non-Operating Receipts	1,124			1,124
Total Non-Operating Cash Receipts	<u>6,199</u>		<u>205,153</u>	<u>211,352</u>
Non-Operating Cash Disbursements:				
Debt Service:				
Principal Payments	29,674			29,674
Interest and Fiscal Charges	5,866			5,866
Distribution of Village of Perrysville Taxes			141,679	141,679
Distribution of Mayor's Court Receipts			60,178	60,178
Other Non-Operating Cash Disbursements	45			45
Total Non-Operating Cash Disbursements	<u>35,585</u>		<u>201,857</u>	<u>237,442</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	330,061	339	3,296	333,696
Transfers-In	242,105			242,105
Transfers-Out	(271,080)			(271,080)
Net Receipts Over Disbursements	301,086	339	3,296	304,721
Fund Cash Balances, January 1	737,221	109,522	1,718	848,461
Fund Cash Balances, December 31	<u>\$1,038,307</u>	<u>\$109,861</u>	<u>\$5,014</u>	<u>\$1,153,182</u>
Reserves for Encumbrances, December 31	<u>\$16,194</u>	<u>\$0</u>	<u>\$0</u>	<u>\$16,194</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, 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Loudonville, Ashland County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities, street maintenance and repair, fire and police protection, emergency medical services, planning and zoning, and park operations (leisure time activities).

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash

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

D. Fund Accounting

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

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 Funds

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

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

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Debt Service Funds

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

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

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

4. Capital Project Funds

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

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

5. Enterprise Funds

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

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

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

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

6. Fiduciary Funds (Trust and Agency Funds)

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

6. Fiduciary Funds (Trust and Agency Funds) (Continued)

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

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

E. Budgetary Process

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

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 the appropriation measure 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.

A summary of 2003 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31, 2003 was as follows:

Demand deposits	\$1,439,036
Certificates of deposit	<u>641,948</u>
 Total deposits	 <u><u>\$2,080,984</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,539,449	\$1,536,995	(\$2,454)
Special Revenue	835,363	824,845	(10,518)
Debt Service	229,934	274,169	44,235
Capital Projects	1,288,745	64,763	(1,223,982)
Enterprise	926,355	1,048,277	121,922
Fiduciary	<u>230,800</u>	<u>206,463</u>	<u>(24,337)</u>
Total	<u><u>\$5,050,646</u></u>	<u><u>\$3,955,512</u></u>	<u><u>(\$1,095,134)</u></u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,774,096	\$1,345,206	\$428,890
Special Revenue	927,583	885,560	42,023
Debt Service	275,094	271,733	3,361
Capital Projects	1,296,678	70,029	1,226,649
Enterprise	1,160,443	763,385	397,058
Fiduciary	<u>229,300</u>	<u>202,928</u>	<u>26,372</u>
Total	<u><u>\$5,663,194</u></u>	<u><u>\$3,538,841</u></u>	<u><u>\$2,124,353</u></u>

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

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 payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$446,120	4.75% - 7.77%
Bond Anticipation Notes	141,193	3.50% - 3.75%
Mortgage Revenue Bonds	867,900	4.50% - 4.75%
Lease Purchase Agreements	3,503	6.00%
Total	\$1,458,716	

The 1990 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$17,770 through January 1, 2005, relates to a waterworks system expansion project in the Village and bears interest of 7.51%. The loan had a balance of \$48,428 at December 31, 2003.

The 1992 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$2,394 through January 1, 2007, relates to a waterworks system expansion project in the Village and bears interest of 7.54%. The loan had a balance of \$14,234 at December 31, 2003.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

The 1992 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$23,903 through January 1, 2011, relates to a reservoir project in the Village and bears interest of 7.77%. The loan had a balance of \$277,145 at December 31, 2003.

The 2002 Ohio Water Development Authority (OWDA) loan is being drawn during construction of a water plant project in the Village and bears interest of 4.75%. The loan had a balance of \$106,313 at December 31, 2003.

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 2003 Street Improvement Bond Anticipation Note, due in one annual payment on June 14, 2004, relates to street improvement projects within the Village's industrial park and bears interest of 3.75%. The note had a balance of \$84,778 at December 31, 2003.

The 2003 Building Acquisition Bond Anticipation Note, due in one annual payment on September 22, 2004, relates to the purchase of a municipal building and bears interest of 3.50%. The note had a balance of \$56,415 at December 31, 2003.

The Storm Sewer Mortgage Revenue Bonds, due in varying annual installments through February 1, 2042, relate to a sanitary sewer replacement project in the Village and bear interest of 4.50%. The bonds had a balance of \$707,300 at December 31, 2003. These bonds are collateralized by a lien on the related properties and revenues of the storm sewer system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2003 are \$39,784 and \$38,729, respectively.

The Water System Mortgage Revenue Bonds, due in varying annual installments through April 1, 2042, relate to a water system improvement project in the Village and bear interest of 4.75%. The bonds had a balance of \$160,600 at December 31, 2003. These bonds are collateralized by a lien on the related properties and revenues of the water system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2003 are \$9,216 and \$9,129, respectively.

A lease purchase agreement was entered into in 1999 for the purpose of obtaining a boom mower. This lease will be paid in annual installments of \$3,697 through December 10, 2004, and bears interest of 6.00%. The lease's present value at December 31, 2003 was \$3,503.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

6. DEBT (Continued)

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

	OWDA Loans	Bond Anticipation Notes	Mortgage Revenue Bonds	Lease Purchase Agreements
Year ending December 31:				
2004	\$199,498	\$146,347	\$47,857	\$3,697
2005	70,365		47,975	
2006	52,596		47,871	
2007	50,201		47,953	
2008	47,807		47,912	
2009 - 2013	143,425		239,625	
2014 - 2018			239,622	
2019 - 2023			239,627	
2024 - 2028			239,567	
2029 - 2033			239,602	
2034 - 2038			239,643	
2039 - 2042			191,658	
Total	<u>\$563,892</u>	<u>\$146,347</u>	<u>\$1,868,912</u>	<u>\$3,697</u>

7. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, OP&F participants contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. OPERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003. The Village has paid all contributions required through December 31, 2003.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

8. RISK MANAGEMENT

Risk Pool Membership

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

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

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

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

	<u>2003</u>	<u>2002</u>
Assets	\$5,402,167	\$5,584,592
Liabilities	<u>(1,871,123)</u>	<u>(2,441,793)</u>
Members' Equity	<u>\$3,531,044</u>	<u>\$3,142,799</u>

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

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

9. CONTINGENT LIABILITIES

The Village is currently not a defendant in any lawsuits.

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

10. RELATED PARTY TRANSACTION

A Village employee is a partner of a company from which the Village awarded a sludge hauling contract in 2003. The Village paid a total of \$6,003 to the company for services performed in 2003.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

11. SUBSEQUENT EVENTS

The Village began construction on their water treatment plant improvement project in September, 2004. Anticipated completion of the project is August, 2005. The total estimated project cost is \$2,364,147. This will be funded with a \$599,200 Ohio Public Works Commission grant, a \$313,000 Ohio Public Works Commission loan, and a \$1,451,947 Ohio Water Development Authority loan. On July 7, 2004 contracts were awarded to Cedar Bay Construction in the amount of \$1,481,000 as general contractor, Meade Electric LLC in the amount of \$230,667 for the electric contract, and Sprang Plumbing and Heating, Inc. in the amount of \$9,100 for the HVAC contract.

On June 7, 2004, Council approved paying off their Industrial Park Bond Anticipation Note in full with a payment of \$87,957.

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**Auditor of State
Betty Montgomery**

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

Village of Loudonville
Ashland County
P.O. Box 150
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 year ended December 31, 2003, and have issued our report thereon dated December 1, 2004. 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 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 such an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the Village's management in a separate letter dated December 1, 2004.

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 the Village's management in a separate letter dated December 1, 2004.

Village of Loudonville
Ashland County
Independent Accountants' Report 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

December 1, 2004

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Ohio Rev. Code Section 5705.14 – Interfund transfers made without Council resolutions.	Yes	
2002-002	Ohio Rev. Code Section 117.38 – Annual Report to Auditor of State filed late.	No	Partially Corrected – 2003 report filed five days late.
2002-003	Ohio Rev. Code Section 5705.41(D) – Expenditures made without fiscal officer certification.	No	Partially Corrected – Repeated in management letter.
2002-004	Monthly reconciliations were inaccurate and not performed timely.	Yes	
2002-005	Payroll clearing account not properly reconciled.	Yes	



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

Facsimile 614-466-4490

**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
DECEMBER 30, 2004**