

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO**

Financial Statements

December 31, 2004

And

December 31, 2005



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Loudonville
156 N. Water Street
Loudonville, Ohio 44842

We have reviewed the *Independent Auditor's Report* of the Village of Loudonville, Ashland County, prepared by Rea & Associates, Inc., for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Village of Loudonville is responsible for compliance with these laws and regulations.

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

Mary Taylor, CPA
Auditor of State

May 18, 2007

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**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO**

**FOR THE YEARS ENDED
DECEMBER 31, 2004
AND
DECEMBER 31, 2005**

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Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 7, 2007

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

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Village of Loudonville, Ashland County, Ohio (the Village), as of and for the years ended December 31, 2004 and 2005, as listed in the table of contents. These financial statements are the responsibility of the Village of Loudonville's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2004 and 2005. Instead of the combined funds the accompanying financial statements present for 2004 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004 and 2005. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since the Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2004 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial positions of the Village as of December 31, 2004 and 2005, or their changes in financial positions for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village of Loudonville, Ashland County, Ohio as of December 31, 2004 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2004 and 2005. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2007, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Rea & Associates, Inc.

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$220,798	\$185,713	\$0	\$14,400	\$0	\$420,911
Municipal Income Taxes	978,472	0	0	0	0	978,472
Intergovernmental	117,826	130,991	0	0	0	248,817
Charges for Services	62,850	138,373	0	0	0	201,223
Fines, Licenses, and Permits	45,237	10,953	0	0	0	56,190
Donations & Contributions	18,759	37,859	0	0	216	56,834
Interest	6,587	136	961	0	0	7,684
Miscellaneous	9,563	26,981	0	0	0	36,544
Total Cash Receipts	<u>1,460,092</u>	<u>531,006</u>	<u>961</u>	<u>14,400</u>	<u>216</u>	<u>2,006,675</u>
Cash Disbursements:						
Current:						
Security of Persons and Property	67,130	725,366	0	0	0	792,496
Public Health Services	9,077	0	0	0	0	9,077
Leisure Time Activities	44,133	0	0	0	0	44,133
Community Environment	2,810	0	0	0	0	2,810
Transportation	0	221,145	0	0	0	221,145
General Government	678,084	0	0	0	0	678,084
Debt Service:						
Principal Payments	29,988	0	159,593	0	0	189,581
Interest Payments	20,397	0	44,577	0	0	64,974
Capital Outlay	1,000	0	0	58,126	0	59,126
Total Cash Disbursements	<u>852,619</u>	<u>946,511</u>	<u>204,170</u>	<u>58,126</u>	<u>0</u>	<u>2,061,426</u>
Total Receipts Over (Under) Disbursements	607,473	(415,505)	(203,209)	(43,726)	216	(54,751)
Other Financing Receipts/(Disbursements):						
Proceeds from Debt Issuance	0	0	38,390	0	0	38,390
Transfers-In	0	420,973	166,603	46,600	0	634,176
Transfers-Out	(616,496)	0	0	0	0	(616,496)
Advances-In	14,400	0	0	14,400	0	28,800
Advances-Out	(14,400)	0	0	(14,400)	0	(28,800)
Other Sources	0	0	0	0	(216)	(216)
Total Other Financing Receipts(Disbursements)	<u>(616,496)</u>	<u>420,973</u>	<u>204,993</u>	<u>46,600</u>	<u>(216)</u>	<u>55,854</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(9,023)	5,468	1,784	2,874	0	1,103
Fund cash balances, January 1	568,386	255,957	96,858	2,668	3,933	927,802
Fund cash balances, December 31	<u>\$559,363</u>	<u>\$261,425</u>	<u>\$98,642</u>	<u>\$5,542</u>	<u>\$3,933</u>	<u>\$928,905</u>
Reserve for encumbrances, December 31, 2004	<u>\$42,101</u>	<u>\$30,433</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$72,534</u>

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

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary	Fiduciary		Totals (Memorandum Only)
	Fund Type	Fund Types		
	Enterprise	Nonexpendable Trust	Agency	
Operating Receipts:				
Charges for Services	\$794,966	\$0	\$0	\$794,966
Donations and Contributions	255	0	0	255
Earnings on Investments	300	1,287	0	1,587
Miscellaneous	15,629	0	0	15,629
Total Operating Cash Receipts	811,150	1,287	0	812,437
Operating Expenses:				
Personal Services	249,866	0	0	249,866
Contractual Services	112,160	0	0	112,160
Community Environment	15,102	0	0	15,102
Supplies and Materials	132,873	63	0	132,936
Total Operating Cash Disbursements	510,001	63	0	510,064
Operating Income	301,149	1,224	0	302,373
Non-Operating Cash Receipts:				
Village of Perrysville Taxes	0	0	175,527	175,527
Mayor's Court Receipts	0	0	56,604	56,604
Intergovernmental	268,395	0	0	268,395
Proceeds from Debt Issuance	166,850	0	0	166,850
Total Non-Operating Cash Receipts	435,245	0	232,131	667,376
Non-Operating Expenses:				
Debt Service:				
Principal Retirement	156,373	0	0	156,373
Interest and Fiscal Charges	3,390	0	0	3,390
Distribution of Village of Perryville Taxes	0	0	175,527	175,527
Distribution of Mayor's Court Receipts	0	0	58,885	58,885
Capital Outlay	468,352	0	0	468,352
Other Non-Operating Cash Disbursements	132	0	0	132
Total Non-Operating Cash Disbursements	628,247	0	234,412	862,659
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	108,147	1,224	(2,281)	107,090
Transfers-In	41,001	0	0	41,001
Transfers-Out	(58,681)	0	0	(58,681)
Net Receipts Over (Under) Disbursements	90,467	1,224	(2,281)	89,410
Fund Cash Balances January 1	1,038,307	109,861	5,014	1,153,182
Fund Cash Balances, December 31	\$1,128,774	\$111,085	\$2,733	\$1,242,592
Reserve for Encumbrances, December 31	\$1,765,985	\$0	\$0	\$1,765,985

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

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$204,808	\$194,789	\$0	\$21,788	\$0	\$421,385
Municipal Income Taxes	1,015,837	0	0	0	0	1,015,837
Intergovernmental	118,211	171,195	0	0	0	289,406
Charges for Services	50,564	138,291	0	0	0	188,855
Fines, Licenses, and Permits	43,787	11,896	0	0	0	55,683
Donations & Contributions	19,279	10,479	0	0	0	29,758
Interest	24,487	994	1,401	0	0	26,882
Miscellaneous	10,064	22,037	0	0	0	32,101
Total Cash Receipts	1,487,037	549,681	1,401	21,788	0	2,059,907
Cash Disbursements:						
Current:						
Security of Persons and Property	66,497	682,236	0	0	0	748,733
Public Health Services	9,098	0	0	0	0	9,098
Leisure Time Activities	55,228	0	0	0	0	55,228
Community Environment	5,064	0	0	0	0	5,064
Transportation	0	224,986	0	0	0	224,986
General Government	733,150	0	0	0	0	733,150
Debt Service:						
Principal Payments	32,310	0	67,290	0	0	99,600
Interest Payments	18,297	0	40,145	0	0	58,442
Capital Outlay	0	0	0	74,593	0	74,593
Total Cash Disbursements	919,644	907,222	107,435	74,593	0	2,008,894
Total Receipts Over (Under) Disbursements	567,393	(357,541)	(106,034)	(52,805)	0	51,013
Other Financing Receipts/(Disbursements):						
Transfers-In	0	477,823	106,547	56,587	0	640,957
Transfers-Out	(632,757)	(1,214)	0	0	0	(633,971)
Advances-In	29,262	0	0	21,787	0	51,049
Advances-Out	(29,262)	0	0	(21,787)	0	(51,049)
Total Other Financing Receipts(Disbursements)	(632,757)	476,609	106,547	56,587	0	6,986
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(65,364)	119,068	513	3,782	0	57,999
Fund cash balances, January 1	559,363	261,425	98,642	5,542	3,933	928,905
Fund cash balances, December 31	\$493,999	\$380,493	\$99,155	\$9,324	\$3,933	\$986,904
Reserve for encumbrances, December 31, 2005	\$56,363	\$19,888	\$0	\$0	\$0	\$76,251

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

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY, OHIO

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Type	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Receipts:				
Charges for Services	\$801,367	\$0	\$0	\$801,367
Earnings on Investments	0	2,116	0	2,116
Miscellaneous	51,601	0	0	51,601
Total Operating Cash Receipts	852,968	2,116	0	855,084
Operating Expenses:				
Personal Services	282,684	0	0	282,684
Contractual Services	83,856	0	0	83,856
Community Environment	7,895	0	0	7,895
Supplies and Materials	141,452	3,565	0	145,017
Total Operating Cash Disbursements	515,887	3,565	0	519,452
Operating Income (Loss)	337,081	(1,449)	0	335,632
Non-Operating Cash Receipts:				
Village of Perrysville Taxes	0	0	175,210	175,210
Mayor's Court Receipts	0	0	60,374	60,374
Intergovernmental	426,720	0	0	426,720
Proceeds from Debt Issuance	1,017,470	0	0	1,017,470
Total Non-Operating Cash Receipts	1,444,190	0	235,584	1,679,774
Non-Operating Expenses:				
Debt Service:				
Principal Retirement	32,175	0	0	32,175
Interest and Fiscal Charges	1,160	0	0	1,160
Distribution of Village of Perryville Taxes	0	0	175,210	175,210
Distribution of Mayor's Court Receipts	0	0	59,928	59,928
Capital Outlay	1,920,240	0	0	1,920,240
Total Non-Operating Cash Disbursements	1,953,575	0	235,138	2,188,713
Excess of Receipts Over (Under) Disbursements Before Interfund Transfers	(172,304)	(1,449)	446	(173,307)
Transfers-In	59,637	0	0	59,637
Transfers-Out	(66,623)	0	0	(66,623)
Advances-In	7,475	0	0	7,475
Advances-Out	(7,475)	0	0	(7,475)
Net Receipts Over (Under) Disbursements	(179,290)	(1,449)	446	(180,293)
Fund Cash Balances January 1	1,128,774	111,085	2,733	1,242,592
Fund Cash Balances, December 31	\$949,484	\$109,636	\$3,179	\$1,062,299
Reserve for Encumbrances, December 31	\$260,218	\$0	\$0	\$260,218

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash

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

D. Fund Accounting

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

GOVERNMENTAL FUND TYPES:

General Fund

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

Special Revenue Funds

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

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

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

Debt Service Funds

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

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

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

Capital Project Funds

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

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

PROPRIETARY FUND TYPE:

Enterprise Funds

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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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.

FIDUCIARY FUND TYPE:

Trust and Agency Funds

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

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

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

E. Budgetary Process

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

Appropriations

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

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.

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 2004 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

NOTE 2: EQUITY IN POOLED CASH

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

Deposits

At December 31, 2004, the carrying amount of the Village's deposits was \$2,171,497 and the bank balance was \$2,182,437. Of the bank balance, \$100,000 was covered by federal depository insurance. \$2,082,437 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

At December 31, 2005, the carrying amount of the Village's deposits was \$2,049,203 and the bank balance was \$2,052,753. Of the bank balance, \$100,000 was covered by federal depository insurance. \$1,952,753 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the Village's name. Although all State statutory requirements for the deposit of money had been followed, non-

**VILLAGE OF LOUDONVILLE
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**NOTES TO THE FINANCIAL STATEMENTS
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compliance with federal requirements could potentially subject the Village to a successful claim by the FDIC.

Investments

GASB Statement No. 3 “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” requires that the Village investments be classified in categories of risk. Category 1 includes investments that are insured or registered or for which the Village or its agent in the Village’s name holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the Village name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Village’s name. At December 31, 2005 and 2004, the Village had no investments.

NOTE 3: BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2004 and 2005 is summarized in the following tables. Amounts include other financing sources and uses and non-operating revenues and expenses when applicable.

Budgeted vs. Actual Receipts

	2005			2004		
	Budgeted Receipts	Actual Receipts	Variance	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,810,859	\$ 1,487,037	\$ (323,822)	\$ 1,655,535	\$ 1,460,092	\$ (195,443)
Special Revenue	860,463	1,027,504	167,041	895,973	951,979	56,006
Debt Service	102,120	107,948	5,828	156,774	205,954	49,180
Capital Projects	30,000	78,375	48,375	75,400	61,000	(14,400)
Enterprise	2,761,531	2,356,795	(404,736)	3,062,817	1,287,396	(1,775,421)
Fiduciary	228,200	237,700	9,500	237,800	233,634	(4,166)
Total	\$ 5,793,173	\$ 5,295,359	\$ (497,814)	\$ 6,084,299	\$ 4,200,055	\$ (1,884,244)

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

Budgeted vs. Actual Budgetary Disbursements

	2005			2004		
	Budgeted Disbursements	Budgetary Disbursements	Variance	Budgeted Disbursements	Budgetary Disbursements	Variance
General	\$ 2,105,754	\$ 1,608,764	\$ 496,990	\$ 2,004,872	\$ 1,511,216	\$ 493,656
Special Revenue	1,039,458	928,324	111,134	1,072,724	976,944	95,780
Debt Service	107,434	107,435	(1)	204,204	204,170	34
Capital Projects	105,705	74,593	31,112	78,069	58,126	19,943
Enterprise	3,183,815	2,729,680	454,135	3,593,687	2,962,914	630,773
Fiduciary	224,044	238,703	(14,659)	243,100	234,691	8,409
Total	\$ 6,766,210	\$ 5,687,499	\$ 1,078,711	\$ 7,196,656	\$ 5,948,061	\$ 1,248,595

NOTE 4: PROPERTY TAX

Real property taxes become a lien on January 1 proceeding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

NOTE 5: INCOME TAX

The Village levies a municipal income tax of 1.75 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.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

NOTE 6: DEBT

Debt outstanding at December 31, 2005 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 1,094,800	4.75% - 7.77%
OPWC Water Treatment Plant	297,350	0.00%
Mortgage Revenue Bonds	820,600	4.50% - 4.75%
Lease Purchase Agreements	<u>29,574</u>	4.37%
Total	<u>\$ 2,242,324</u>	

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loans	\$ 439,165	4.75% - 7.77%
Bond Anticipation Note	38,390	4.00%
Mortgage Revenue Bonds	<u>849,500</u>	4.50% - 4.75%
Total	<u>\$ 1,327,055</u>	

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 was paid off January 1, 2005 and had a balance of \$16,525 at December 31, 2004.

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 \$6,523 and \$10,518 at December 31, 2005 and 2004, respectively.

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 \$222,558 and \$250,873 at December 31, 2005 and 2004, respectively.

The 2002 Ohio Water Development Authority (OWDA) loan was being drawn during the design of a water plant project in the Village and bears interest of 4.75%. The loan had an original balance of \$ 124,470 and was paid off in August, 2004.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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The 2004 Ohio Water Development Authority (OWDA) loan is being drawn during construction of a water plant project in the Village and bears interest of 4.56%. The loan had a balance of \$ 865,719 and \$ 161,249 at December 31, 2005 and 2004, respectively. These amounts are not presented in the following amortization schedule due to the fact that the Village is still withdrawing money to complete the water plant improvement project.

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

The 2005 Ohio Public Works Commission (OPWC) loan, due in semi-annual installments of \$15,650 through January 1, 2024, relates to the water plant improvement project in the Village and bears no interest. The loan had a balance of \$297,350 at December 31, 2005.

The 2003 Street Improvement Bond Anticipation Note matured on June 14, 2004, related to street improvement projects within the Village's industrial park and beared interest of 3.75%.

The 2003 Building Acquisition Bond Anticipation Note, matured on September 22, 2004, related to the purchase of a municipal building and beared interest of 3.50%.

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 \$693,100 and \$700,400 at December 31, 2005 and December 31, 2004, respectively. These bonds are collateralized by a lien on the related properties and revenues of the storm sewer system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2005 are \$40,302 and \$39,056 and were \$41,440 and \$39,027 as of December 31, 2004, 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 \$149,100 and \$127,500 at December 31, 2005 and December 31, 2004, respectively. These bonds are collateralized by a lien on the related properties and revenues of the water system. As required by the mortgage revenue bond covenant, the Village has established and funded a debt service reserve fund and a debt service sinking fund, included as debt service funds. The balances in these funds at December 31, 2005 are \$9,344 and \$9,940 and were \$9,607 and \$9,081 as of December 31, 2004, respectively.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

A lease purchase agreement was entered into in 1999 for the purpose of obtaining a boom mower. This lease, bearing a 6% interest rate, had a final payment of \$3,697 in December 2004. In 2005, the Village entered into a new lease purchase agreement for the purpose of obtaining a Case Tractor and loader. This lease will be paid in annual principal and interest installments of \$8,219 through February 22, 2009, and bears interest of 4.37%. The lease's present value at December 31, 2005 was \$29,574.

Amortization of the above debt, including total interest of \$990,733, is scheduled as follows:

<u>December 31,</u>	<u>OWDA Loans</u>	<u>OPWC Loan</u>	<u>Mortgage Revenue Bonds</u>	<u>Lease Purchase Agreements</u>
2006	\$ 52,595	\$ 15,650	\$ 47,871	\$ 8,219
2007	50,201	15,650	47,953	8,219
2008	47,807	15,650	47,913	8,219
2009	47,807	15,650	47,953	8,219
2010	47,807	15,650	47,972	0
2011 - 2015	47,811	78,250	239,539	0
2016 - 2020	0	78,250	239,706	0
2021 - 2025	0	62,600	239,431	0
2026 - 2030	0	0	239,689	0
2031 - 2035	0	0	239,604	0
2036 - 2040	0	0	226,594	0
2041 - 2042	0	0	78,861	0
Total	<u>\$ 294,028</u>	<u>\$ 297,350</u>	<u>\$ 1,743,084</u>	<u>\$ 32,876</u>

NOTE 7: RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2005, OP&F participants contributed 10.1 % 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 2005 and 2004. The Village has paid all contributions required through December 31, 2005.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2005**

NOTE 8: RISK MANAGEMENT

Risk Pool Membership

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

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

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

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

	<u>2005</u>	<u>2004</u>
Assets	\$ 8,219,430	\$ 6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Member's Equity	<u>\$ 5,470,791</u>	<u>\$ 4,457,714</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.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED
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NOTE 9: CONTINGENT LIABILITIES

The Village is currently not a defendant in any lawsuits.

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

NOTE 10: RELATED PARTY TRANSACTION

A Village employee is a partner of a company from which the Village awarded a sludge hauling contract in 2003. The Village paid a total of \$15,771 and \$3,105 to the company for services performed in 2005 and 2004, respectively.

NOTE 11: SUBSEQUENT EVENT

In June 2006, the Village entered into lease purchase agreement for a street sweeper. The street sweeper has a present value of future lease payments of \$129,520.

NOTE 12: TRANSFERS

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

Transfers for the year ended December 31, 2004, consisted of the following:

<u>Transfer In</u>	<u>Transfer Out</u>			<u>Total</u>
	<u>General Fund</u>	<u>Special Revenue</u>	<u>Enterprise Funds</u>	
Special Revenue	\$ 420,973	\$ 0	\$ 0	\$ 420,973
Debt Service	107,922	0	58,681	166,603
Capital Projects	46,600	0	0	46,600
Enterprise	41,001	0	0	41,001
Total	<u>\$ 616,496</u>	<u>\$ 0</u>	<u>\$ 58,681</u>	<u>\$ 675,177</u>

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
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Transfers for the year ended December 31, 2005, consisted of the following:

Transfer In	Transfer Out			Total
	General Fund	Special Revenue	Enterprise Funds	
Special Revenue	\$ 477,823	\$ 0	\$ 0	\$ 477,823
Debt Service	39,924	0	66,623	106,547
Capital Projects	56,587	0	0	56,587
Enterprise	58,423	1,214	0	59,637
Total	<u>\$ 632,757</u>	<u>\$ 1,214</u>	<u>\$ 66,623</u>	<u>\$ 700,594</u>

The transfers from the Enterprise to the Debt Service Funds were to pay for the debt issues for water and sewer projects. The Special Revenue Fund transferred funds to the Enterprise Fund to reimburse expenses already incurred before grant proceeds were received.

Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

March 7, 2007

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

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

We have audited the accompanying financial statements of Village of Loudonville, Ashland County, Ohio (the Village) as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated March 7, 2007, wherein we noted the Council followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Loudonville's internal control over financial reporting 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 reportable 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 caused by error or fraud 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 a matter involving the internal control over financial reporting and its operation that we consider to be a material weakness, which is disclosed in the accompanying schedule of findings as item 2005-001. We also noted other immaterial matters involving the internal control over financial reporting that we have reported to management of the Village of Loudonville in a separate letter dated March 7, 2007.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Loudonville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated March 7, 2007.

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

Hea & Associates, Inc.

**Village of Loudonville
Ashland County
Schedule of Findings
December 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Material Weakness

Bank Reconciliations

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

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

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



Mary Taylor, CPA
Auditor of State

VILLAGE OF LOUDONVILLE

ASHLAND COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MAY 31, 2007