



**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Loudonville, Ashland County, Ohio, (the Village) as of and for the year ended December 31, 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 described 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, 2000, 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 October 15, 2001, 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 Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

October 15, 2001

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VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

**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, 2000**

	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	\$173,746	\$219,815		\$29,000	\$1,126,389	\$1,548,950
Intergovernmental	152,463	108,310		258,796		519,569
Charges for Services	22,829	90,569			5,940	119,338
Fines, Licenses, and Permits	17,638	1,658				19,296
Earnings on Investments	11,593					11,593
Contributions and Donations	15,830	6,014		26,641		48,485
Miscellaneous	3,632	5,335			100	9,067
Total Cash Receipts	397,731	431,701		314,437	1,132,429	2,276,298
Cash Disbursements:						
Current:						
Security of Persons and Property	80,402	540,201				620,603
Public Health Services	5,433					5,433
Leisure Time Activities	40,485					40,485
Community Environment	7,659					7,659
Transportation		213,563				213,563
General Government	456,358	4,731			35,779	496,868
Debt Service:						
Principal Payments	22,255	55,260	\$386,188			463,703
Interest Payments	30,341	5,975	32,537			68,853
Capital Outlay	30,369	298,691		506,304	298	835,662
Total Cash Disbursements	673,302	1,118,421	418,725	506,304	36,077	2,752,829
Total Cash Receipts Over/(Under) Cash Disbursements	(275,571)	(686,720)	(418,725)	(191,867)	1,096,352	(476,531)
Other Financing Receipts/(Disbursements):						
Proceeds of Notes		150,000	295,945	100,000		545,945
Sale of Assets		11,644				11,644
Transfers-In	347,434	560,460	122,780	52,565		1,083,239
Advances-In	29,000			42,739		71,739
Transfers-Out	(28,957)				(1,123,723)	(1,152,680)
Advances-Out	(42,739)			(29,000)		(71,739)
Other Receipts	991	145			19,365	20,501
Other Disbursements		(1,050)			(34,485)	(35,535)
Total Other Financing Receipts/(Disbursements)	305,729	721,199	418,725	166,304	(1,138,843)	473,114
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	30,158	34,479	0	(25,563)	(42,491)	(3,417)
Fund Cash Balances, January 1	144,171	390,221	22,254	80,642	106,160	743,448
Fund Cash Balances, December 31	\$174,329	\$424,700	\$22,254	\$55,079	\$63,669	\$740,031
Reserves for Encumbrances, December 31	\$37,004	\$146,713	\$0	\$38,358	\$548	\$222,623

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, 2000**

	Proprietary Fund Types	Fiduciary Fund Types		Totals (Memorandum Only)
	Enterprise	Nonexpendable Trust	Agency	
Operating Cash Receipts:				
Charges for Services	\$796,813	\$3,501		\$800,314
Earnings on Investments		11,154		11,154
Miscellaneous	17,951			17,951
Total Operating Cash Receipts	<u>814,764</u>	<u>14,655</u>		<u>829,419</u>
Operating Cash Disbursements:				
Personal Services	252,961			252,961
Contractual Services	109,505			109,505
Supplies and Materials	141,972			141,972
Capital Outlay	171,417			171,417
Total Operating Cash Disbursements	<u>675,855</u>			<u>675,855</u>
Operating Income	<u>138,909</u>	<u>14,655</u>		<u>153,564</u>
Non-Operating Cash Receipts:				
Earnings on Investments	7,295			7,295
Village of Perrysville Taxes			168,544	168,544
Other Non-Operating Receipts	585			585
Total Non-Operating Cash Receipts	<u>7,880</u>		<u>168,544</u>	<u>176,424</u>
Non-Operating Cash Disbursements:				
Debt Service:				
Principal Payments	88,256			88,256
Interest Payments	15,549			15,549
Distribution of Village of Perrysville Taxes			168,544	168,544
Other Non-Operating Cash Disbursements	304			304
Total Non-Operating Cash Disbursements	<u>104,109</u>		<u>168,544</u>	<u>272,653</u>
Excess of Receipts Over Disbursements Before Interfund Transfers	42,680	14,655		57,335
Transfers-In	90,279			90,279
Transfers-Out	(20,838)			(20,838)
Net Receipts Over Disbursements	112,121	14,655		126,776
Fund Cash Balances, January 1	499,073	80,944	0	580,017
Fund Cash Balances, December 31	<u>\$611,194</u>	<u>\$95,599</u>	<u>\$0</u>	<u>\$706,793</u>
Reserve for Encumbrances, December 31	<u>\$146,104</u>	<u>\$0</u>	<u>\$0</u>	<u>\$146,104</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, 2000**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Loudonville, Ashland 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, 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.

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 had the following significant Special Revenue Funds:

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

2. Special Revenue Funds (Continued)

Fire Levy Fund - This fund receives levy monies for the purchase of equipment to aid in the operation of the Village Volunteer Fire Department.

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

3. Debt Service Funds

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

Bond Retirement Fund - This fund is used to retire the Village bonds relating to wetlands restoration improvements.

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 Projects 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 had the following significant Capital Projects Funds:

Street Improvement Fund - This fund receives transfers from the Village Income Tax Fund for various Village street improvements.

Cemetery Storm Sewer Fund - This fund received proceeds from notes in anticipation of the issuance of bonds in addition to a grant from the Ohio Public Works Commission for the purpose of paying a portion of the costs of improving and constructing cemetery storm sewers.

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 had the following significant Enterprise Funds:

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

5. Enterprise Funds (Continued)

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

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 Income Tax Fund (Expendable Trust Fund) - This fund receives monies from collections of the Village's 1.75% imposed income tax. Funds collected are used in both general operations of the Village and for capital expenditures and maintenance and repairs as required.

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.

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.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

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 2000 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. Unpaid Vacation Leave

Employees are entitled to cash payments for unused vacation leave in certain circumstances, such as upon leaving employment. Unpaid vacation leave is not reflected as a liability under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits. The carrying amount of cash at December 31, 2000 was as follows:

Demand deposits	\$ 1,138,124
Certificates of deposit	<u>308,700</u>
Total deposits	<u><u>\$ 1,446,824</u></u>

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

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2000 follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$747,817	\$775,156	\$27,339
Special Revenue	988,813	1,153,950	165,137
Debt Service	154,714	418,725	264,011
Capital Projects	522,507	509,741	(12,766)
Enterprise	907,289	912,923	5,634
Fiduciary	1,123,940	1,334,993	211,053
Total	\$4,445,080	\$5,105,488	\$660,408

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$860,149	\$782,002	\$78,147
Special Revenue	1,318,831	1,226,184	92,647
Debt Service	154,714	418,725	(264,011)
Capital Projects	584,668	573,662	11,006
Enterprise	1,086,491	946,906	139,585
Fiduciary	1,388,105	1,363,377	24,728
Total	\$5,392,958	\$5,310,856	\$82,102

4. NONCOMPLIANCE

Contrary to Ohio Rev. Code Section 5705.131, interest earnings were not credited to the Cemetery Endowment Nonexpendable Trust Fund.

Contrary to Ohio Rev. Code Section 5705.41(B), expenditures exceeded appropriations in 4 Village funds.

Contrary to Ohio Rev. Code Section 5705.42, State Issue II grant monies were not recorded in the Village's ledgers.

Contrary to Ohio Rev. Code Section 5705.41(D), the Village did not always certify the availability of funds for expenditures during 2000.

Contrary to Ohio Rev. Code Section 117.38, the Village's cash basis annual financial report was not submitted to the Auditor of State within 60 days of year end.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

5. 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.

6. DEBT

Debt outstanding at December 31, 2000 was as follows:

	Principal	Interest Rate
Ohio Water Development Authority Loans	\$ 522,457	6.25% - 7.77%
USDA Rural Development Loan	130,579	4.875%
General Obligation Bonds	115,561	5.25% - 6.25%
Bond Anticipation Notes	545,945	5.25% - 6.50%
Lease Purchase Agreements	41,098	5.75% - 7.40%
Total	\$ 1,355,640	

The 1977 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$1,770 through January 1, 2001, relates to a sanitary sewer expansion project in the Village and bears interest of 6.25%.

The 1971 Ohio Water Development Authority (OWDA) loan, due in semi-annual installments of \$7,345 through January 1, 2002, relates to a sanitary sewer expansion project in the Village and bears interest of 6.50%.

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 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 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%.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

6. DEBT (Continued)

The United States Department of Agriculture 1996 Rural, Economic and Community Development Services (RECDS) loan, due in varying annual installments through April 1, 2021, relates to a sanitary sewer replacement project in the Village and bears interest of 4.875%.

The 1993 Wetlands Restoration Improvement Bonds, due in varying amounts through November 15, 2003, relate to the construction of wetlands improvements in the Village and bear interest of 5.25%.

The 1997 Dump Truck Bonds, due in quarterly payments of varying amounts through October 24, 2002, relate to the acquisition of a dump truck for the Village and bear interest of 6.25%.

The 2000 Storm Sewer Improvement Bond Anticipation Note, due in one annual payment on January 1, 2001, relates to a storm sewer project in the Village and bears interest of 6.50%.

The 2000 Recreational Equipment Bond Anticipation Note, due in one annual payment on April 1, 2001, relates to the purchase of recreational equipment and bears interest of 6.25%.

The 2000 Street Improvement Bond Anticipation Note, due in one annual payment on June 14, 2001, relates to street improvement projects within the Village's industrial park and bears interest of 6.50%.

The 2000 Building Acquisition Bond Anticipation Note, due in one annual payment on September 22, 2001, relates to the purchase of a municipal building and bears interest of 6.50%.

The 2000 Fire Station Improvement Bond Anticipation Note, due in one annual payment on December 28, 2001, relates to a fire station construction project in the Village and bears interest of 6.50%.

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 through December 10, 2004, and bears interest of 6.00%.

A lease purchase agreement was entered into in 1999 for the purpose of obtaining a pick-up truck. This lease will be paid in annual installments through December 15, 2001, and bears interest of 5.75%.

A lease purchase agreement was entered into in 1999 for the purpose of obtaining a police cruiser. This lease will be paid in annual installments through December 1, 2001, and bears interest of 7.40%.

A lease purchase agreement was entered into in 2000 for the purpose of obtaining a police cruiser. This lease will be paid in annual installments through July 13, 2002, and bears interest of 5.75%.

**VILLAGE OF LOUDONVILLE
ASHLAND COUNTY**

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

6. DEBT (Continued)

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

Year ending December 31:	OWDA Loans	General Obligation Bonds	Bond Anticipation Notes	USDA (RECDS) Loan	Lease Purchase Agreements
2001	\$104,594	\$48,420	\$581,402	\$10,366	\$26,893
2002	95,480	46,847	0	10,371	10,883
2003	88,135	31,575	0	10,368	3,697
2004	88,135	0	0	10,351	3,697
2005	70,365	0	0	10,427	0
Subsequent	<u>294,028</u>	<u>0</u>	<u>0</u>	<u>155,488</u>	<u>0</u>
Total	<u><u>\$740,737</u></u>	<u><u>\$126,842</u></u>	<u><u>\$581,402</u></u>	<u><u>\$207,371</u></u>	<u><u>\$45,170</u></u>

7. RETIREMENT SYSTEMS

The Village's law enforcement officers belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS 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 2000, members of OP&F contributed 10% of their wages. The Village contributed an amount equal to 19.5% of their wages. PERS members contributed 8.5% of their gross salaries. The Village contributed an amount equal to 13.55% of participants' gross salaries through June 30, 2000. Commencing July 1, 2000, PERS temporarily reduced employer contributions to 8.13%. The Village has paid all contributions required through December 31, 2000.

8. LOCAL INCOME TAX

The Village levies a municipal income tax of 1.75% 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.

Employees 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
DECEMBER 31, 2000
(Continued)**

9. RISK MANAGEMENT

The Village belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan is deemed 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 uses conventional insurance coverages and reinsures these coverages 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

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

10. CONTINGENT LIABILITIES

The Village is a defendant in several lawsuits. Although the outcome of these suits is not presently determinable, management believes that the resolution of these matters will not materially adversely affect the Village's financial condition.

11. RELATED PARTY TRANSACTIONS

A Village Council Member is owner of a company from which the Village acquired various equipment and supplies. The Village paid \$994 for these items during the year.

12. SUBSEQUENT EVENT

On January 23, 2001, the Village entered into a Water/Waste System Grant Agreement through the United States Department of Agriculture, Rural Utility Services, for the improvement of storm sewers within the Village. The estimated cost of the project is \$1,437,000.

The Department of Agriculture will provide the Village a loan of not more than \$962,000 and a grant of not more than \$475,000 or 75% of the development costs (whichever is less) subject to terms and conditions established by the Department of Agriculture to finance the cost of the project. The Village will repay the loan through the collection of user charges.

As of October 15, 2001, the Village has received interim loans from the Ohio Water Development Authority in the amount of \$711,510. These loans will be repaid when the Department of Agriculture loan is received. In addition, the Village has received \$120,238 of the grant amount to date. The project is expected to be completed by the end of 2001.

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

111 Second Street, NW
Fourth Floor
Canton, Ohio 44702
Telephone 330-438-0617
800-443-9272
Facsimile 330-471-0001
www.auditor.state.oh.us

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

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Loudonville, Ashland County, Ohio, (the Village) as of and for the year ended December 31, 2000, and have issued our report thereon dated October 15, 2001. 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 2000-30503-001 through 2000-30503-005.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated October 15, 2001.

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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings as items 2000-30503-006 and 2000-30503-007.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider items 2000-30503-006 and 2000-30503-007 to be material weaknesses.

We also 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 October 15, 2001.

This report is intended 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.

Jim Petro
Auditor of State

October 15, 2001

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2000

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

Noncompliance Citations

FINDING NUMBER 2000-30503-001

Ohio Rev. Code Section 5705.131 states a taxing authority of a subdivision may establish a nonexpendable trust fund for the purpose of receiving donations or contributions that the donor or contributor requires to be maintained intact. The principal of such fund may be invested, and the investment earnings on the principal shall be credited to the fund.

During our audit, we noted the Village maintains a Cemetery Endowment Nonexpendable Trust Fund. From 1995 through 2000, the interest earned on the money in this fund has been credited to the General Fund of the Village on a separate line item identified as Cemetery Interest. Such interest remaining as of December 31, 2000 was \$11,154.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 5705.131, a Finding for Adjustment for monies incorrectly allocated is hereby issued against the General Fund and in favor of the Cemetery Endowment Nonexpendable Trust Fund in the amount of \$11,154.

Although these adjustments are reflected in the accompanying financial statements, the Village has not recorded them in their books and records until after the audit period.

FINDING NUMBER 2000-30503-002

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been has been appropriated.

At December 31, 2000, expenditures plus outstanding encumbrances exceeded appropriations within the following funds:

Fund	Appropriations	Budgetary Expenditures	Variance
Debt Service Funds:			
Washington Street Building Fund	\$35,022	\$147,094	\$112,072
Recreation Equipment Fund	5,892	17,892	12,000
Industrial Park Fund	35,013	201,864	166,851
Capital Projects Fund:			
Issue II - Ohio Public Works Commission Fund	0	242,655	242,655

**Noncompliance Citations
(Continued)**

**FINDING NUMBER 2000-30503-002
(Continued)**

The Clerk-Treasurer should frequently compare actual expenditures plus outstanding encumbrances to appropriations at the legal level of budgetary control to avoid potential overspending.

FINDING NUMBER 2000-30503-003

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

The Clerk-Treasurer did not record Issue II grant monies in a Capital Projects Fund totaling \$242,655. These disbursements are made directly to vendors by the state. As a result, receipts and expenditures were initially understated. The Clerk-Treasurer should record Issue II monies as a receipt and expenditure. This will help ensure receipts and expenditures are not misstated.

FINDING NUMBER 2000-30503-004

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 unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation 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. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Village Council may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000, the Clerk-Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Village Council, if such expenditure is otherwise valid.

During the audit period, 13% of the expenditures tested were not certified by the Clerk-Treasurer prior to incurring the obligation. It was also found that neither of the two exceptions above were utilized for the items found to be in noncompliance.

The Village should certify the availability of expenditures and also implement the use of so called Then and Now Certificates and Blanket Certificates as further means to certify funds pursuant to Ohio Rev. Code Section 5705.41(D).

This matter was reported in the management letter of the 1999 and 1998 audit.

**Noncompliance Citations
(Continued)**

FINDING NUMBER 2000-30503-005

Ohio Rev. Code Section 117.38 requires cash basis entities to file an annual report with the Auditor of State within 60 days of fiscal year end. In addition, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village did not file its 1999 cash basis annual report with the Auditor of State nor publish the annual report in a local newspaper until September 2000. The Village should prepare an annual report in the format utilized for their financial statement presentation and submit the report to the Auditor of State within 60 days of year end. In addition, the annual report should be publicized in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

This matter was reported in the management letter of the 1999 and 1998 audit.

Material Weaknesses

FINDING NUMBER 2000-30503-006

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. Some reconciliations were up to six months late. Numerous reconciling items were carried throughout the year and not corrected prior to year end.

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.

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. The bank reconciliation should be included as part of the monthly financial package presented to the Village Council for review and approval. This review should also include determining that deposits and investments are allowable per the Ohio Revised Code. Furthermore, Village Council members should sign and date the bank reconciliations indicating they have been reviewed.

This matter was reported in the management letter of the 1999 and 1998 audit.

**Material Weaknesses
(Continued)**

FINDING NUMBER 2000-30503-007

Payroll Clearing Account

The Village maintains a zero balance payroll bank account which is not properly reconciled monthly.

Numerous errors and uncorrected reconciling items were noted as follows:

- Amounts in excess of the biweekly payroll amounts were transferred from the general account to the payroll account totaling \$129,282. This included \$49,841 from 1997; \$72,416 from 1998; \$7,000 from 1999; and \$25 from 2000. These errors have been accumulating since 1997 with no attempt to correct them until December, 2000. \$110,000 was transferred from the payroll account back to the general account on December 29, 2000. \$19,282 is still due to be transferred back to the general account as of December 31, 2000. The Clerk-Treasurer should return the remaining excess funds to the general bank account. In addition, the Clerk-Treasurer should ensure that only the exact amount necessary to cover future bi-weekly payrolls is transferred from the general account to the payroll account every two weeks.
- A payroll withholding amount of \$64.61 from December, 1998 was not paid to the authorized agency as of December 31, 2000. This amount has been carried as a reconciling item since December, 1998. The Clerk-Treasurer corrected this issue on October 3, 2001.
- An overpayment of \$168.32 was made to FICA in December, 1999. This amount was refunded to the Village in March, 2000. However, this amount was being carried as a reconciling item as of December 31, 2000. The refunded amount was deposited in the general account and should be transferred to the payroll account from where it was overpaid.
- Various bank posting errors occurred between January, 1999 through December, 2000 totaling \$531.30. All of these errors were carried as reconciling items at December 31, 2000. The Clerk-Treasurer should contact the bank to remedy these errors. Any future errors should be corrected in the subsequent month.
- Due to duplicate payments and other errors, \$10,585 was overpaid to the Public Employees Retirement System (PERS) as employee contributions between September, 1997 through December, 2000. These overpayments were from the \$129,282 excess transfers between the general and payroll accounts noted above. Therefore, these are excess Village funds that were overpaid and are not incorrect withholdings from employees. This amount is due to the Village from PERS and not due to the employees as of December 31, 2000. These PERS errors have been carried as reconciling items since 1997. In addition to the \$10,585 overpayment from the payroll account, there was an additional overpayment of \$16,874 from the general account for the employer portion during this period of time. In June, 1998, the Local Government Services division of the Auditor of State documented employee overpayments to PERS of \$8,622 and employer overpayments of \$13,745 from October, 1997 through January, 1998. As of December 31, 2000, no action has been taken by the Village to correct these errors. The Clerk-Treasurer has recently contacted PERS to request forms to correct the total overpayments of \$27,459. The Clerk-Treasurer should correct these errors as soon as possible and ensure that correct amounts are paid to PERS in the future.

The Village's payroll zero balance bank account should be maintained in the prescribed manner, in which the monthly bank balance is reconciled to a zero book balance. In addition, the account should be reconciled on a monthly basis and any errors detected should be corrected in a timely manner.

This matter was reported in the management letter of the 1999 and 1998 audit.

VILLAGE OF LOUDONVILLE
ASHLAND COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2000

Finding Number	Finding Summary	Fully Corrected?	Not corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
1998-LV-001	Appropriations exceeded Total Estimated Revenues	Yes	Finding no longer valid



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
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
NOVEMBER 8, 2001**