



Dave Yost • Auditor of State



VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY

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# Dave Yost • Auditor of State

Village of Ludlow Falls  
Miami County  
PO Box 159  
Ludlow Falls, Ohio 45339

To the Village Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

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**Dave Yost**  
Auditor of State

August 27, 2012

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Village of Ludlow Falls  
Miami County  
PO Box 159  
Ludlow Falls, Ohio 45339

To the Village Council:

We have audited the accompanying financial statements of the Village of Ludlow Falls, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require Villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 of the Village of Ludlow Falls, Miami County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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As described in Note 1, during 2011 the Village of Ludlow Falls adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 27, 2012



**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Other Local Taxes	\$6,416		\$6,416
Intergovernmental	17,507	\$11,273	28,780
Special Assessments		4,670	4,670
Fines, Licenses and Permits	1,000		1,000
Earnings on Investments	23		23
Total Cash Receipts	<u>24,946</u>	<u>15,943</u>	<u>40,889</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	2,650		2,650
Leisure Time Activities	894	140	1,034
Basic Utility Services	1,944	3,984	5,928
Transportation		32,856	32,856
General Government	9,046	212	9,258
Total Cash Disbursements	<u>14,534</u>	<u>37,192</u>	<u>51,726</u>
Total Receipts Over/(Under) Disbursements	<u>10,412</u>	<u>(21,249)</u>	<u>(10,837)</u>
Fund Cash Balances, January 1	<u>51,550</u>	<u>49,069</u>	<u>100,619</u>
<b>Fund Cash Balances, December 31:</b>			
Restricted		27,820	27,820
Unassigned	61,962		61,962
Fund Cash Balances, December 31	<u>\$61,962</u>	<u>\$27,820</u>	<u>\$89,782</u>

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

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Governmental Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	
<b>Cash Receipts:</b>			
Property and Local Taxes	\$6,669		\$6,669
Intergovernmental	19,603	\$11,359	30,962
Special Assessments		4,174	4,174
Fines, Licenses and Permits	986		986
Earnings on Investments	49		49
Miscellaneous	684		684
Total Cash Receipts	<u>27,991</u>	<u>15,533</u>	<u>43,524</u>
<b>Cash Disbursements:</b>			
<b>Current:</b>			
Security of Persons and Property	2,800		2,800
Leisure Time Activities	6,203	129	6,332
Basic Utility Service	1,515	3,984	5,499
Transportation		2,385	2,385
General Government	18,432	172	18,604
Total Cash Disbursements	<u>28,950</u>	<u>6,670</u>	<u>35,620</u>
Total Receipts Over/(Under) Disbursements	<u>(959)</u>	<u>8,863</u>	<u>7,904</u>
Fund Cash Balances, January 1	<u>52,509</u>	<u>40,206</u>	<u>92,715</u>
Fund Cash Balances, December 31	<u><u>\$51,550</u></u>	<u><u>\$49,069</u></u>	<u><u>\$100,619</u></u>

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

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

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

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

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Village recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

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

The Village's cash is deposited in a checking and savings accounts, and Certificate of Deposits which are valued at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose 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 LUDLOW FALLS  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. The Village did not use the encumbrance method of accounting.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

**F. Fund Balance**

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Non-spendable**

The Village classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Committed**

Council can *commit* amounts via formal action (resolution). The Village must adhere to these commitments unless the Council amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Village Council or a Village official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Village applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Village records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

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

	<u>2011</u>	<u>2010</u>
Demand deposits	\$49,194	\$ 60,052
Certificates of deposit	2,317	2,315
Other time deposits (savings and NOW accounts)	19,571	19,562
Total deposits	<u>71,082</u>	<u>81,929</u>
STAR Ohio	<u>18,700</u>	<u>18,690</u>
Total deposits and investments	<u>\$89,782</u>	<u>\$100,619</u>

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

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

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

<b>2011 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$24,524	\$24,946	\$422
Special Revenue	15,500	15,943	443
Total	\$40,024	\$40,889	\$865

<b>2011 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 71,383	\$14,534	\$56,849
Special Revenue	60,236	37,192	23,044
Total	\$131,619	\$51,726	\$79,893

<b>2010 Budgeted vs. Actual Receipts</b>			
<b>Fund Type</b>	<b>Budgeted Receipts</b>	<b>Actual Receipts</b>	<b>Variance</b>
General	\$27,178	\$27,991	\$813
Special Revenue	15,500	15,533	33
Total	\$42,678	\$43,524	\$846

<b>2010 Budgeted vs. Actual Budgetary Basis Expenditures</b>			
<b>Fund Type</b>	<b>Appropriation Authority</b>	<b>Budgetary Expenditures</b>	<b>Variance</b>
General	\$ 75,551	\$28,950	\$46,601
Special Revenue	51,124	6,670	44,454
Total	\$126,675	\$35,620	\$91,055

Contrary to Ohio Rev. Code Section requirements, the Village failed to file appropriations with the Miami County Auditor in 2011 and 2010, file and publish an annual report, or maintain all financial records and books.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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.

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010  
(Continued)**

**5. RETIREMENT SYSTEMS**

All Village officials contribute to Social Security. For 2011 and 2010, members of Social Security system contributed 6.2 percent of their gross salaries. The Village contributed an amount equal to 6.2 percent of participant's gross salaries during 2011 and 2010. The Village has paid all contributions required through December 31, 2011.

**6. RISK MANAGEMENT**

**Commercial Insurance**

The Village has obtained commercial insurance for the following risks:

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

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Village of Ludlow Falls  
Miami County  
PO Box 159  
Ludlow Falls, Ohio 45339

To the Village Council:

We have audited the financial statements of the Village of Ludlow Falls, Miami County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated August 27, 2012, wherein we noted the Village prepared its financial statements using the accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted that the Village adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings, we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-05 described in the accompanying schedule of findings to be a material weakness.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated August 27, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

August 27, 2012

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2011 AND 2010**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2011-01**

**Noncompliance Citation**

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

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

- A. "Then and Now" Certificate** - If the fiscal officer can certify that both at the time the contract or order was made ("then") and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without resolution or ordinance upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Village.
- B. Blanket Certificate** - Fiscal officers may prepare "blanket" certificates for a certain sum of money not to excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate** - The Village may also make expenditures and contract for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. The certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Village did not properly encumber 100% of expenditures. There was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute, but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, the Village should certify that the funds are or will be available prior to the obligation. When prior certification is not possible, "then and now" certification should be used.

### FINDING NUMBER 2011-02

#### Noncompliance Citation

**Ohio Rev. Code Section 149.351(A)**, states, in part, that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under sections 149.38 to 149.42 of the Revised Code. Those records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred or destroyed unlawfully. At the beginning of the audit engagement the following items were noted as being removed or destroyed;

- The Village did not have the Huntington Bank statement for its savings account for the period of October 1 – December 31, 2011. The account had a confirmed balance of \$19,570.83. The account represented 21.8% of total cash deposits as of December 31, 2011.
- The Village did not maintain complete supporting documentation for a deposit from December 2009, made in February 2010. The Village made a deposit of \$3,855.17 but booked only \$2,492.27, which resulted in a \$1,362.90 variance that was booked by the fiscal officer as miscellaneous revenue during 2010.

The Village should implement procedures so that all records and other Village documentation is maintained and is only removed or destroyed in accordance with the Village's record retention schedule. Failure to retain these required public records may result in an incomplete audit trail, create potential problems for future management decisions, and may result in findings for recovery in future audits.

### FINDING NUMBER 2011-03

#### Noncompliance Citation

**Ohio Rev Code Section 117.38** states, in part, that each public office shall file a financial report for each fiscal year with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe forms by rule or may issue guidelines for such reports. If the Auditor of State has not prescribed a rule regarding the form of the report, the public office shall submit its report on the form utilized by the public office. Additionally, the public office must publish a notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Village had not filed a 2011 or 2010 Annual Report as of the opinion date and did not publish a notice in a local newspaper that the financial report was available for public inspection for fiscal years 2011 or 2010.

The Village should implement procedures that require submission of the annual financial report within sixty days of year-end in accordance with statute and publish notice annually in a local newspaper that the report is available for public inspection. The failure of the Village to file the annual financial report within the statutory timeline could result in fines and penalties being incurred.

### FINDING NUMBER 2011-04

#### Noncompliance Citation

**Ohio Revised Code 5705.39** states, in part, that no appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. When the appropriation does not exceed such official estimate, the county auditor shall give such certificate forthwith upon receiving from the appropriating authority a certified copy of the appropriation measure.

**FINDING NUMBER 2011-04  
(Continued)**

The Village failed to file the permanent appropriations with the Miami County Auditor during 2011 and 2010. As a result, the Village did not receive “do not exceed” certificates from the Miami County Auditor for either year.

The Village should implement procedure to annually file all appropriations measures with the county auditor in a timely manner, as failure to properly file appropriations with the county could lead to appropriations being in excess of estimated resources, which may result in possible overspending.

**FINDING NUMBER 2011-05**

**Noncompliance/Material Weakness**

**Ohio Rev. Code Section 733.28** states, in part, that the Village Clerk should keep the books of the Village and exhibit accurate statements of all monies received and expended.

The Village tracked fund cash balances in a manual cash journal. Transactions from the cash journal were manually posted to the appropriation or revenue ledger based on the transaction type. The appropriation and revenue ledgers were then used to create annual reports that were provided for audit. Examination of the 2011 and 2010 cash journal noted that transactions were not always correctly posted or posted to manual appropriation and revenue ledgers and those ledgers in turn did not agree with the amounts reported on the annual financial reports. The following errors were noted with the 2011 and 2010 annual financial reports:

- The prior period fund balance audit adjustments, which had been made, were not carried forward in the cash journal which resulted in the beginning fund balances for 2010 to not agree to the ending fund balances for 2009. The General Fund was overstated by \$5,243; the Street Fund was understated by \$3,157; the State Highway Fund was understated by \$490; and the Special Assessments Fund was understated by \$1,596. These items were recorded in the manual ledgers as a result of the prior audit and were not carried forward on the annual report.
- Property tax settlements were posted at net rather than gross on several occasions, which resulted in General Fund property tax revenue and general government expenditures being understated by \$135 and \$128 for 2011 and 2010, respectively.
- Special Assessments were recorded at net rather than at gross. Auditor and Treasurer Fees in the amount of \$211 and \$172 for the Special Revenue Special Assessment Fund, relating to 2011 and 2010, respectively, had not been posted.
- Homestead and rollback, personal property reimbursement, excess IRP, and public utility gas and electric reimbursement monies were posted as property tax revenue in the General Fund during 2011 and 2010 in the amount of \$1,300 and \$1,933, respectively, rather than as intergovernmental revenue.
- State and Local Highway Distribution and Gasoline Excise Tax receipts were posted as property tax revenue in the Street and State Highway Funds during 2011 in the amounts of \$8,044 and \$652, respectively, and during 2010 in the amounts of \$8,607 and \$698, respectively, rather than as intergovernmental revenue.
- In 2010, \$1,438 was posted as General Fund miscellaneous revenue that actually consisted of \$1,363 of intergovernmental revenue received during 2009 that was not deposited until 2010 and \$75 in outstanding checks representing General Fund general government expenditures written during 2009 that were removed from the bank reconciliation during 2010.
- The Village’s 2011 annual report did not reflect the adoption of GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The General Fund balance in 2011 was adjusted to reflect \$61,962 as unassigned fund balance and the Special Revenue balance was adjusted to reflect \$27,820 as restricted fund cash balance.

**FINDING NUMBER 2011-05**  
**(Continued)**

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

The Village should develop and implement procedures to verify accurate recordkeeping of all its activities. Failure to maintain complete accountability of public monies could increase the possibility of funds being altered, impaired, lost or stolen. Additionally, independent detailed reviews should be performed over the Village accounting records as a means of providing for their accuracy.

**Officials' Response:** We did not receive a response from Village Officials to the findings reported above.

**VILLAGE OF LUDLOW FALLS  
MIAMI COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2009-001	Ohio Rev. Code 5705.41(D)(1) – Prior Certification of Expenditures	No	Repeated as Finding 2011-01
2009-002	Ohio Rev. Code 149.351(A) – Maintaining Records	No	Repeated as Finding 2011-02
2009-003	Article XII, Section 5a, Ohio Const. and 1982 Op. Atty. Gen. No. 82-031 – Failure to record interest to proper funds	No	Partially Corrected - Repeated as a verbal comment to management
2009-004	Ohio Rev. Code 117.38 – Failure to file an accurate annual report	No	Repeated as Finding 2011-03
2009-005	Material Weakness - Financial Records and Reports	No	Repeated as Finding 2011-05
2009-006	Material Weakness - Monitoring of Records	No	Partially Corrected - Reported as a Management Letter Recommendation
2009-007	Material Weakness - Posting of Receipts and Disbursements	No	Repeated as Finding 2011-05
2009-008	Material Weakness - Bank Reconciliations	No	Partially Corrected - Reported as a Management Letter Recommendation

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# Dave Yost • Auditor of State

VILLAGE OF LUDLOW FALLS

MIAMI COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
OCTOBER 9, 2012