



Mary Taylor, CPA
Auditor of State

VILLAGE OF BEALLSVILLE
MONROE COUNTY

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Mary Taylor, CPA
Auditor of State

Village of Beallsville
Monroe County
43057 Ohio Avenue
Beallsville, Ohio 43716

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.

A handwritten signature in black ink that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 3, 2008

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Beallsville
Monroe County
43057 Ohio Avenue
Beallsville, Ohio 43716

To the Village Council:

We have audited the accompanying financial statements of the Village of Beallsville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006. 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. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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, 2007 and 2006 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, 2007 and 2006, or its changes in financial position or cash flows, where applicable 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 Beallsville, Monroe County, Ohio, as of December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 3, 2008, 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.



Mary Taylor, CPA
Auditor of State

November 3, 2008

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$27,819		\$27,819
Intergovernmental	20,220	\$17,908	38,128
Earnings on Investments	532	88	620
Miscellaneous	788	713	1,501
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	49,359	18,709	68,068
	<hr/>	<hr/>	<hr/>
Cash Disbursements:			
Current:			
Security of Persons and Property	5,316		5,316
Public Health Services	3,417		3,417
Basic Utility Service	168		168
Transportation	1,005	16,906	17,911
General Government	17,047	250	17,297
Debt Service:			
Redemption of Principal		3,151	3,151
Interest and Fiscal Charges		795	795
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	26,953	21,102	48,055
	<hr/>	<hr/>	<hr/>
Total Cash Receipts Over/(Under) Cash Disbursements	22,406	(2,393)	20,013
Fund Cash Balances, January 1	43,125	9,017	52,142
	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$65,531</u>	<u>\$6,624</u>	<u>\$72,155</u>

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$81,865
Total Operating Cash Receipts	81,865
Operating Cash Disbursements:	
Personal Services	22,588
Employee Fringe Benefits	4,464
Contractual Services	45,931
Total Operating Cash Disbursements	72,983
Operating Income	8,882
Non-Operating Cash Receipts:	
Earnings on Investments	10
Miscellaneous Receipts	713
Total Non-Operating Cash Receipts	723
Non-Operating Cash Disbursements:	
Redemption of Principal	22,794
Interest and Other Fiscal Charges	3,025
Total Non-Operating Cash Disbursements	25,819
Net Receipts (Under) Disbursements	(16,214)
Fund Cash Balances, January 1	35,162
Fund Cash Balances, December 31	\$18,948

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Local Taxes	\$21,469		\$21,469
Intergovernmental	23,759	\$18,620	42,379
Earnings on Investments	563	99	662
Miscellaneous	155	800	955
	<u>45,946</u>	<u>19,519</u>	<u>65,465</u>
Cash Disbursements:			
Current:			
Security of Persons and Property	4,792		4,792
Public Health Services	3,819		3,819
Leisure Time Activities	9,005		9,005
Transportation	914	22,810	23,724
General Government	26,931		26,931
Debt Service:			
Redemption of Principal		1,732	1,732
Interest and Fiscal Charges		625	625
	<u>45,461</u>	<u>25,167</u>	<u>70,628</u>
Total Cash Receipts Over/(Under) Cash Disbursements	485	(5,648)	(5,163)
Other Financing Receipts:			
Sale of Fixed Assets	9,300		9,300
	<u>9,300</u>	<u>0</u>	<u>9,300</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	9,785	(5,648)	4,137
Fund Cash Balances, January 1 - Restated See Note 8	33,340	14,665	48,005
Fund Cash Balances, December 31	<u>\$43,125</u>	<u>\$9,017</u>	<u>\$52,142</u>

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$82,854
Total Operating Cash Receipts	82,854
Operating Cash Disbursements:	
Personal Services	22,269
Employee Fringe Benefits	4,189
Contractual Services	34,695
Total Operating Cash Disbursements	61,153
Operating Income	21,701
Non-Operating Cash Receipts:	
Earnings on Investments	37
Miscellaneous Receipts	401
Total Non-Operating Cash Receipts	438
Non-Operating Cash Disbursements:	
Redemption of Principal	22,413
Interest and Other Fiscal Charges	3,406
Total Non-Operating Cash Disbursements	25,819
Net Receipts (Under) Disbursements	(3,680)
Fund Cash Balances, January 1 - Restated See Note 8	38,842
Fund Cash Balances, December 31	\$35,162

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006**

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 Beallsville, Monroe County (the Village), as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general governmental services, including sewer utilities, the maintenance of roads, park operations, and fire protection services. The Village contracts with the Monroe County Sheriff's department to provide security of persons and property. The Village contracts with the Beallsville Volunteer Fire Department to provide fire protection services.

The Village participates in the Public Entities Pool of Ohio (PEP), a public entity risk pool. Note 6 to the financial statements provides additional information for this entity.

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. 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 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 Fund:

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

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

C. Fund Accounting (Continued)

3. Enterprise Funds

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

Sewer Operating Fund – This fund receives charges for services from residents to cover sewer service costs. This fund also maintains the water lines within the Village.

D. 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. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2007 and 2006 budgetary activity appears in Note 3.

E. 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.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

2. Equity in Pooled Cash

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

	2007	2006
Demand deposits	\$74,091	\$71,333
Savings account	17,012	15,971
Total deposits	\$91,103	\$87,304

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities pledged by the financial institution to the Village.

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2007 and 2006, follows:

2007 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$61,607	\$49,359	(\$12,248)
Special Revenue	19,920	18,709	(1,211)
Enterprise	83,000	82,588	(412)
Total	\$164,527	\$150,656	(\$13,871)

2007 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$104,728	\$26,953	\$77,775
Special Revenue	28,937	21,102	7,835
Enterprise	118,787	98,802	19,985
Total	\$252,452	\$146,857	\$105,595

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$41,252	\$55,246	\$13,994
Special Revenue	18,550	19,519	969
Enterprise	87,000	83,292	(3,708)
Total	\$146,802	\$158,057	\$11,255

2006 Budgeted vs. Actual Expenditures

Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$74,592	\$45,461	\$29,131
Special Revenue	33,215	25,167	8,048
Enterprise	126,600	86,972	39,628
Total	\$234,407	\$157,600	\$76,807

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

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.

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

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

5. Debt

Debt outstanding at December 31, 2007, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ohio Water Development Authority Loan	\$124,295	2.20%
Ohio Public Works Commission Loan	18,173	0%
Municipal Lease Agreement	8,660	7.49%
Total	<u>\$151,128</u>	

In 2006, the Village entered into a lease purchase agreement with Kubota Credit Corporation for the acquisition of a tractor. Inception of a capital lease is a non-cash transaction and is not recorded as a receipt in the cash basis financial statements. The lease will be repaid in monthly installments of \$327, including interest, over four years. The lease is to be paid from the Street Construction, Maintenance, and Repair Fund.

The Ohio Public Works Commission Loan relates to upgrades necessary to comply with Environmental Protection Agency regulations. The loan will be repaid in semiannual installments of \$2,596, with no interest charges, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set rates at a sufficient level to repay the Ohio Public Works Commission.

The Ohio Water Development Authority Loan relates to upgrades necessary to comply with Environmental Protection Agency regulations. The loan will be repaid in semiannual installments of \$10,313, including interest, over 20 years. The loan is collateralized by sewer receipts. The Village has agreed to set rates at a sufficient level to repay the Ohio Water Development Authority.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	Equipment Lease	Ohio Public Works Commission Loan	Ohio Water Development Authority Loan
2008	\$3,929	\$5,192	\$20,627
2009	3,929	5,192	20,627
2010	1,964	5,192	20,627
2011		2,597	20,627
2012			20,627
2013-2014			30,940
Total	\$9,822	\$18,173	\$134,075

6. Risk Management

The Village is exposed to various risks of property and casualty losses, and injuries to employees.

The Village insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Village belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year.

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006) as noted above.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

Property Coverage

Beginning in 2005, APEEP established a risk-sharing property program. Under the program, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount was increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will then reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$37,560,071	\$36,123,194
Liabilities	<u>(17,340,825)</u>	<u>(16,738,904)</u>
Net Assets	<u>\$20,219,246</u>	<u>\$19,384,290</u>

At December 31, 2007 and 2006, respectively, the liabilities above include approximately \$15.9 million and \$15.0 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$15.0 million and \$14.4 million of unpaid claims to be billed to approximately 443 member governments in the future, as of December 31, 2007 and 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Village's share of these unpaid claims collectible in future years is approximately \$8,000. This payable includes the subsequent year's contribution due if the Village terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2007 AND 2006
(Continued)**

6. Risk Management (Continued)

<u>Contributions to PEP</u>	
2006	\$6,928
2007	\$7,257

The Village had commercial insurance coverage during 2005.

After completing one year of membership, members may withdraw on each anniversary of the date they joined PEP provided they provide written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

7. Retirement Systems

The Village's officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plans' benefits, which includes postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2007 and 2006, OPERS members contributed 9.5% and 9%, respectively, of their gross salaries and the Village contributed an amount equaling 13.85% and 13.7%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Three officials contribute to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. For 2007 and 2006, officials contributed 6.2 percent of their gross salaries. The Village contributed an amount equal of 6.2 percent of participant's gross salaries.

8. Prior Period Adjustment

On November 28, 2005, the Village deposited \$500 into the Enterprise Improvement savings account; however, this deposit was not recorded on the Village's accounting records. The prior auditor inadvertently included this \$500 in the Village's General Fund, rather than the Enterprise Improvement Fund at December 31, 2005. To correct this situation, it was necessary to increase the Enterprise Fund January 1, 2006 balance by \$500 and decrease the General Fund January 1, 2006 balance by the corresponding \$500.

The following identifies the effect of these changes on the fund cash balance by fund:

	General Fund	Enterprise Fund
	<u> </u>	<u> </u>
Fund Cash Balances, December 31, 2005	\$33,840	\$38,342
Correction of balance error	(500)	500
Adjusted Cash Balances, January 1, 2006	<u>\$33,340</u>	<u>\$38,842</u>

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Mary Taylor, CPA

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 Beallsville
Monroe County
43057 Ohio Avenue
Beallsville, Ohio 43716

To the Village Council:

We have audited the financial statements of the Village of Beallsville, Monroe County, Ohio (the Village), as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated November 3, 2008, wherein we noted the Village prepared its financial statements using accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We also noted the Village uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Village. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 expressing our opinion on the financial statements, but not to opine 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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Village's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Village's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency in internal control over financial reporting: 2007-002.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Village's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We do not believe the significant deficiency described above is a material weakness.

We also noted certain internal control matters that we reported to the Village's management in a separate letter dated November 3, 2008.

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 an instance of noncompliance or other matter that we must report under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2007-001.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 3, 2008.

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



Mary Taylor, CPA
Auditor of State

November 3, 2008

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing authority from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is 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 Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code:

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 encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has 30 days from the receipt of the "then and now" certificate to approve payment by resolution or ordinance.

Amounts of less than \$3,000, may be paid by the fiscal officer without a resolution or ordinance of the Village 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.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in 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 year. 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.

Super Blanket Certificate – The Village may also make expenditures and contracts 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. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line-item appropriation.

Although the obligations paid by the Village had a statement indicating the purchase was lawfully appropriated or in the process of collection to the credit of the appropriate fund, and free from any previous encumbrance, the Village did not certify available funds prior to incurring the obligation for 67% and 60% of transactions tested in 2007 and 2006, respectively. For 2007, Village Council did not establish by resolution or ordinance an amount that blanket certificates could not exceed which would deem blanket certificates issued in 2007 as not valid.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The prior certification of available funds was not always obtained as the Clerk/Treasurer was not available when purchasing needs arose and she received notification of the purchase through receiving the vendor invoice or statement and Village officials were not aware they were required to pass a resolution or ordinance setting the amount that blanket certificates could not exceed. Failure to properly certify the availability of funds can result in overspending of funds 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, we recommend that the Clerk/Treasurer certify that funds are or will be available prior to obligations being incurred by the Village. When prior certification is not possible, "then and now" certifications should be used. Village Council should annually adopt a resolution to indicate an amount that blanket certificates cannot exceed.

We recommend the Village certify purchases to which Ohio Rev. Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include certification language Section 5705.41(D) requires to authorize disbursements. The Clerk/Treasurer should sign the certification prior to the Village incurring a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Clerk/Treasurer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials Response: We did not receive a response from Officials to this finding.

FINDING NUMBER 2007-002

Significant Deficiency

Ohio Admin. Code Section 117-2-02(A) states all local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of the Administrative Code.

The Ohio Village Officer's Handbook (revised March 2008) provides suggested account classifications. These accounts classify receipts by fund and source (taxes or charges for services, for example) and classify disbursements by fund, program (general government, for example) or object (personal services, for example). Using these classifications and the aforementioned accounting records will provide the Village with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Auditor of State.

During 2007 and 2006, the Clerk/Treasurer did not always post receipts/expenditures to the accurate receipt/expenditure classifications, based upon the source of the receipt/purpose of disbursement.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006
(Continued)**

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

FINDING NUMBER 2007-002 (Continued)

Significant Deficiency (Continued)

In 2007, the Clerk/Treasurer posted:

- Principal payments made on the Village's debt to "Interest and Other Fiscal Charges" from the Sewer Operating Fund in the amount of \$22,794 instead of "Redemption of Principal".
- Principal payments made on the Village's lease to "Interest and Fiscal Charges" from the Street, Construction, Maintenance and Repair Fund in the amount of \$3,151 instead of "Redemption of Principal".

In 2006, the Clerk/Treasurer posted:

- Principal payments made on the Village's debt to "Interest and Other Fiscal Charges" from the Sewer Operating Fund in the amount of \$22,413 instead of "Redemption of Principal".
- Principal payments made on the Village's lease to "Interest and Fiscal Charges" and "Transportation" from the Street, Construction, Maintenance and Repair Fund in the amounts of \$1,405 and \$327, respectively, instead of "Redemption of Principal".
- A receipt from the sale of a fixed asset in the amount of \$9,300 to "Miscellaneous" in the General Fund rather than as a "Sale of Fixed Assets".
- An inheritance tax receipt in the amount of \$9,150 as "Miscellaneous" in the General Fund rather than "Intergovernmental".

A lack of management oversight resulted in incorrect account classifications.

The Village adjusted the accompanying financial statements to reflect all items noted in the preceding paragraphs.

We recommend the Clerk/Treasurer utilize available authoritative resources to appropriately classify receipt/expenditure transactions.

Officials Response: We did not receive a response from Officials to this finding.

**VILLAGE OF BEALLSVILLE
MONROE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Ohio Rev. Code Section 5705.41(D)(1) states no orders or contracts are to be made unless there is attached a certificate of the fiscal officer that the amount required to meet the obligation has been appropriated.	No	Not corrected: Repeated in current audit as finding number 2007-001.
2005-002	26 Code of Federal Regulations Section 1.6041-2 for not issuing 1099's for contractor services.	Yes	N/A
2005-003	Reportable Condition - Lack of supporting documentation for expenditures.	Yes	N/A
2005-004	Reportable Condition - Paying late fees, penalties, and interest	No	Not corrected: Repeated in the current audit Management Letter.
2005-005	Reportable Condition - Not properly posting receipts and expenditures in the correct account classification.	No	Not corrected: Repeated in current audit as finding number 2007-002.
2005-006	Reportable Condition - No approval of timesheets.	Yes	N/A
2005-007	Reportable Condition - Village minutes were often silent or vague on pertinent financial information.	Yes	N/A
2005-008	Reportable Condition - Lack of monitoring of delinquent sewer accounts.	No	Not corrected: Repeated in the current audit Management Letter.



Mary Taylor, CPA
Auditor of State

VILLAGE OF BEALLSVILLE

MONROE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 9, 2008**