

VILLAGE OF BEAVERDAM

Allen County

Regular Audit

January 1, 2006 through December 31, 2007

Years Audited Under GAGAS: 2006 and 2007

CAUDILL & ASSOCIATES CPA's
725 5th Street
Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

Members of Council
Village of Beaverdam
101 West Main Street
P.O. Box 127
Beaverdam, Ohio 45808

We have reviewed the *Independent Auditor's Report* of the Village of Beaverdam, Allen County, prepared by Caudill & Associates, CPA's, for the audit period January 1, 2006 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 12, 2008

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VILLAGE OF BEAVERDAM
ALLEN COUNTY

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Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

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Independent Auditor's Report

Members of Council
Village of Beaverdam
101 West Main Street
Beaverdam, Ohio 45808

We have audited the accompanying financial statements of the Village of Beaverdam (The Village), Allen County, Ohio, 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2007 and 2006. Instead of the combined funds the accompanying financial statements present for 2007 and 2006, the revisions require presenting entity wide statements and also presenting its larger (i.e. major) funds separately for 2007 and 2006. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 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 of its proprietary funds 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, and reserves for encumbrances of the Village, as of the December 31, 2007 and 2006, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

Members of Council
Village of Beaverdam
Independent Auditor's Report
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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2007 and 2006. 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 April 1, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Caudill & Associates, CPAs

Caudill & Associates, CPAs

April 1, 2008

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 16,969	\$ -	\$ -	\$ 16,969
Intergovernmental Receipts	25,711	26,627	-	52,338
Earnings on Investment	3,788	1,809	-	5,597
Fines Licences & Permit	4,993	-	-	4,993
Miscellaneous	2,487	-	15,656	18,143
Total Cash Receipts	<u>53,948</u>	<u>28,436</u>	<u>15,656</u>	<u>98,040</u>
<u>Disbursements:</u>				
Security of Persons and Property	5,419	-	-	5,419
Public Health Services	-	-	-	-
Leisure Time Activities	1,369	-	-	1,369
Transportation	-	22,857	-	22,857
General Government	63,706	-	-	63,706
Capital Outlay	3,896	491	-	4,387
Total Cash Disbursements	<u>74,390</u>	<u>23,348</u>	<u>-</u>	<u>97,738</u>
Total Receipts Over (Under) Disbursements	<u>(20,442)</u>	<u>5,088</u>	<u>15,656</u>	<u>302</u>
Fund Cash Balance, January 1	<u>58,718</u>	<u>16,615</u>	<u>7,273</u>	<u>82,606</u>
Fund Cash Balance, December 31	<u>\$ 38,276</u>	<u>\$ 21,703</u>	<u>\$ 22,929</u>	<u>\$ 82,908</u>
Reserve for Encumbrances, December 31	<u>\$ 268</u>	<u>\$ 854</u>	<u>\$ -</u>	<u>\$ 1,122</u>

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

**VILLAGE OF BEAVERDAM
ALLEN 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
	<u>Enterprise</u>
<i>Operating Cash Receipts</i>	
Charges for Services	\$ 288,430
Total Operating Cash Receipts	288,430
<i>Operating Cash Disbursements</i>	
Personal Services	77,437
Fringe Benefits	21,602
Contractual Services	79,954
Supplies and Material	2,034
Capital Outlay	1,698
Miscellaneous	18,903
Total Operating Cash Disbursements	201,628
Operating Income	86,802
<i>Non-Operating Cash Receipts</i>	
Miscellaneous Receipts	970
Total Non-Operating Cash Receipts	970
<i>Non-Operating Cash Disbursements:</i>	
Debt Service - Principal	(93,444)
Debt Services - Interest	(16,511)
Total Non-Operating Cash Disbursements	(109,955)
Excess of Cash Receipts Over/(Under) Disbursements	(22,183)
Fund Cash Balances, January 1	237,592
Fund Cash Balances, December 31	\$ 215,409
Reserve for Encumbrances, December 31	\$ 2,451

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Cash Receipts</u>				
Property and Other Taxes	\$ 17,153	\$ -	\$ -	\$ 17,153
Intergovernmental Receipts	55,937	23,364	7,000	86,301
Earnings on Investment	3,907	1,061	-	4,968
Fines Licences & Permit	6,066	-	-	6,066
Special Assessments	-	-	-	-
Miscellaneous	1,860	-	-	1,860
Total Cash Receipts	84,923	24,425	7,000	116,348
<u>Disbursements:</u>				
Security of Persons and Property	4,556	-	-	4,556
Public Health Services	87	-	-	87
Leisure Time Activities	2,506	150	-	2,656
Transportation	-	23,906	-	23,906
General Government	52,576	-	-	52,576
Capital Outlay	498	1,251	108,640	110,389
Total Cash Disbursements	60,223	25,307	108,640	194,170
Total Receipts Over (Under) Disbursements	24,700	(882)	(101,640)	(77,822)
Fund Cash Balance, January 1	34,018	17,497	108,913	160,428
Fund Cash Balance, December 31	\$ 58,718	\$ 16,615	\$ 7,273	\$ 82,606
Reserve for Encumbrances, December 31	\$ 2,149	\$ 1,195	\$ -	\$ 3,344

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

	PROPRIETARY FUND TYPE
	<u>Enterprise</u>
<i>Operating Cash Receipts</i>	
Charges for Services	\$ 267,105
	267,105
<i>Operating Cash Disbursements</i>	
Personal Services	69,641
Fringe Benefits	16,565
Contractual Services	59,193
Supplies and Materials	6,144
Capital Outlay	2,753
Miscellaneous	32,590
	186,886
Operating Income	80,219
Non-Operating Cash Disbursements:	
Debt Service - Principal	(34,716)
Debt Services - Interest	(18,788)
	(53,504)
Excess of Cash Receipts and Non-operating Receipts Over/ (Under) Disbursements and Non-operating Disbursements	26,715
Fund Cash Balances, January 1	210,877
Fund Cash Balances, December 31	\$ 237,592
Reserve for Encumbrances, December 31	\$ 6,823

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beaverdam, Allen 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, and street and highway maintenance. The Village contracts with the Allen County Sheriff's department to provide policing services. The Village provides the water and the Village residents volunteer their services to the Richland Township Fire and Emergency Medical Services who provide fire and ambulance services to Village residents.

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 and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. 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 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.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

Impact Fee Construction Account Fund - This fund receives impact fees. The revenue is used for the expansion of utility facilities and infrastructure requirements.

4. 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.

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

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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated in the subsequent year. The village encumbered all commitments outstanding at 12/31/2007.

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon retirement. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	2007	2006
Demand deposits	\$230,407	\$254,489
Certificates of deposit	67,910	65,709
Total deposits and investments	\$298,317	\$320,198

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically 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	\$56,168	\$53,948	(\$2,220)
Special Revenue	26,364	28,436	2,072
Capital Projects	0	15,656	15,656
Enterprise	531,152	289,400	(241,752)
Total	\$613,684	\$387,440	(\$226,244)

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2007 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$117,947	\$74,658	\$43,289
Special Revenue	38,385	24,202	14,183
Capital Projects	7,273	0	7,273
Enterprise	531,152	314,034	217,118
Total	\$694,757	\$412,894	\$281,863

2006 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$119,553	\$84,923	(\$34,630)
Special Revenue	22,578	24,425	1,847
Capital Projects	0	7,000	7,000
Enterprise	260,456	267,105	6,649
Total	\$402,587	\$383,453	(\$19,134)

2006 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,404	\$62,372	\$62,032
Special Revenue	38,385	26,502	11,883
Capital Projects	472,632	108,640	273
Enterprise	472,632	247,213	225,419
Total	\$744,334	\$444,727	\$299,607

**VILLAGE OF BEAVERDAM
ALLEN 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 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 payment, 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:

Loan Description	Amount Outstanding	Interest Rate
Ohio Water Development Authority # 1476	\$79,054	8.35%
Sewer System Mortgage Revenue Bond	161,000	5.00%

The Ohio Water Development Authority (OWDA) Loan 1476 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$168,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of varying amounts. The final payment is scheduled for July 1, 2014. Beginning with the first payment of 2006, the OWDA provided the Village with a loan subsidy for the remaining life of the loan. This lowers the stated interest rate by approximately 1.35%.

The Sewer System First Mortgage Revenue Bonds relates to the sewer improvement project. The bonds are to be repaid in annual installments of varying amounts. The final payment is scheduled for 2017.

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

Year Ending	OWDA # 1476	Mortgage Revenue Bond	Total
2008	\$16,268	\$21,050	\$37,318
2009	16,268	20,400	36,668
2010	16,268	20,750	37,018
2011	16,268	21,050	37,318
2012	16,268	21,300	37,568
2013-2017	24,401	104,000	128,401
Total	\$105,741	\$208,550	\$314,291

For the purpose of the above table, amortization of the Water Line Replacement loan was calculated assuming a fixed interest rate of 3.82%.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

6. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

Village officials and employees belong to OPERS of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides 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. OPERS members were required to contribute 9.5 percent of their gross salaries, and the Village was required to contribute an amount equal to 13.80 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2007.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by OPERS have an option to choose Social Security. A member of Council has elected social security. The Village's liability is 6.2 percent of wages paid.

7. RISK MANAGEMENT

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 insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). The Village pays an annual contribution to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

PEP retains casualty risk up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate year. Governments can elect additional coverage from \$2,000,000 with General Reinsurance Corporation, through contracts with PEP. If losses exhaust PEP's retained earnings, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Beginning in 2005, Travelers Indemnity Company reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. 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 value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 (latest information available) was \$1,682,589.

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

Members may withdraw on each anniversary of the date they joined PEP. They must 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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

7. RISK MANAGEMENT (Continued)

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

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$30,997,868	\$29,719,675
Liabilities	<u>(15,875,741)</u>	<u>(15,994,168)</u>
Retained Earnings	<u>\$15,122,127</u>	<u>\$13,725,507</u>
<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$5,125,326	\$4,443,332
Liabilities	<u>(863,163)</u>	<u>(1,068,246)</u>
Retained Earnings	<u>\$4,262,163</u>	<u>\$3,375,086</u>

8. COMPLIANCE

Contrary to the Ohio Revised Code Section 5705.36, the Village had appropriations in excess of its available resources defined as prior year unencumbered balances plus actual receipts.

Contrary to the Ohio Revised Code Section 5705.39, the Village had appropriations in excess of its estimated resources.

Interest was not allocated among funds per Article XII, Section 5A of the Ohio Constitution.

9. MISCELLANEOUS RECEIPTS

The miscellaneous receipt of \$15,656 in the Capital Projects Fund in 2007 was a refund check received from a contractor.

Caudill & Associates, CPA's

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Portsmouth, OH 45662

Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Members of Council
Village of Beaverdam
Allen County, Ohio
101 West Main Street.
Beaverdam, Ohio 45808

We have audited the accompanying regulatory basis financial statements of the Village of Beaverdam (the Village), Allen County, as of and for the years ended December 31, 2007 and 2006, and have issued our report thereon dated April 1, 2008, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than generally accepted accounting principles. 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.

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 auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness on the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financing 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 in the following paragraph, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of 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 a misstatement of the Village's financial statements that is more than inconsequential will not be prevented or detected by the Village's internal control. The results of our tests disclosed one instance of control deficiency that is required to be disclosed under *Governmental Auditing Standards*, which is described in the accompanying schedule of findings and responses as item No. 2007-003.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Village's internal control.

Members of Council
Village of Beaverdam

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Page 2

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 considered to be material weaknesses. We consider the following deficiency, described in the accompanying schedule of findings and responses as item No. 2007-003, to be a material weakness in internal controls over financial reporting.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings and Responses as items 2007-001, 2007-002 and 2007-004.

The Village's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the Village's responses and, accordingly, we express no opinion on them.

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.

Caudill & Associates, CPAs

Caudill & Associates, CPA's

April 1, 2008

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

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

FINDING NUMBER 2007-001

Noncompliance Citation

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the village to obtain a increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2006, appropriations for the General, Street Maintenance and Construction, and the Sewer Funds exceeded their available resources. In fiscal year 2007, appropriations for the General, Street Maintenance and Construction, and the Water Funds exceeded their available resources

Failure to monitor appropriations versus available resources could result in expenditures exceeding available resources and possibly result in deficit spending. The Council should monitor the budget versus actual reports and approve modifications if necessary. Also, approval of the modifications should be enacted and documented in the Council Minutes.

Client Response:

The Village will appropriately follow the auditor's recommendation and monitor appropriations and available resources.

FINDING NUMBER 2007-002

Noncompliance Citation

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In Fiscal Year 2006, the Street Construction and Maintenance, the Water, and the Sewer Funds were appropriated in excess of its estimated resources. In Fiscal Year 2007, the General Fund, the Street Construction and Maintenance, and the Water Fund were all appropriated in excess of their estimated resources.

Failure to monitor appropriations against estimated resources may result in appropriations exceeding the estimated resources and further may result in expenditures in excess of available resources. The Village should monitor the appropriations against estimated resources and make modifications as necessary to the appropriations.

Client Response:

The Village will appropriately follow the auditor's recommendation and monitor appropriations and estimated resources.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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

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

FINDING NUMBER 2007-003

Correct Posting of Receipts

Intergovernmental revenues received by the Village should be posted in accordance with the Auditor of State UAN account codes, and properly reflect the gross amount reported on the settlement sheets.

Failure to post receipts to the correct accounts will result in material misclassification of revenues.

Numerous errors, in the posting of intergovernmental and property tax revenues to the proper account code, were noted during the audit period.

Intergovernmental revenues in the amount of \$7,865 in 2006 and \$7,480 in 2007 were recorded as property tax, miscellaneous and other financing sources revenues. These revenues, left unadjusted would have resulted in material misclassifications of revenues, in the financial statements. Consequently, we made reclassifications to the financial statements.

The Village should implement procedures to ensure that revenues are posted to the correct account code.

Client Response:

The Village will ensure that revenues are posted to the correct account code.

FINDING NUMBER 2007-004

Allocation of Interest Between Funds

Article XII, Section 5a of the Ohio Constitution requires that interest earned on money derived from a motor vehicle license or fuel tax to follow the principal. The Village pools its money for investment purposes, and a proportional percentage of the interest earned should be allocated to the motor vehicle and license tax fund.

Interest receipts for the Governmental funds were allocated to the General Fund only. A total of \$1,061 and \$1,809 respectively were adjusted to reallocate interest from the General Fund to the Motor Vehicle License Tax Fund.

The Village should ensure that interest monies are proportionally allocated between funds, specifically, interest earnings should be allocated proportionally to the Motor Vehicle and License Tax Fund.

Client Response:

The Village will ensure that interest revenues are posted to the correct fund in the future.

Village of Beaverdam
Allen County
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2006 and 2007

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2005-001	Non-Compliance with 5705.36 (A)	No	Reissued as Finding # 2007-001
2005-002	Non-Compliance with 5705.39	No	Reissued as Finding # 2007-002
2005-003	Debt Covenant Compliance	Yes	N/A



Mary Taylor, CPA
Auditor of State

VILLAGE OF BEAVERDAM

ALLEN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 22, 2008**