

VILLAGE OF BEAVERDAM

Allen County

Regular Audit

January 1, 2008 through December 31, 2009

Years Audited Under GAGAS: 2008 and 2009



CAUDILL & ASSOCIATES, CPA

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Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Beaverdam, Allen County, prepared by Caudill & Associates, CPAs, for the audit period January 1, 2008 through December 31, 2009. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

March 28, 2011

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**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

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Independent Auditor's Report

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

To the Village Council:

We have audited the accompanying financial statements of the Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2009 and 2008. 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, 2009 and 2008 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, 2009 and 2008, or its changes in financial position.

Village of Beaverdam
Allen County

Independent Auditor's Report (Continued)

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 of Beaverdam, Allen County, as of December 31, 2009 and 2008, 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 February 7, 2011, 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.



Caudill & Associates, CPA

February 7, 2011

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, 2009**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$ 17,489	\$ -	\$ -	\$ 17,489
Charges for Services	100	1,380	-	1,480
Intergovernmental	22,456	21,451	-	43,907
Earnings on Investments	3,438	860	-	4,298
Fines, Licenses and Permits	4,221	-	-	4,221
Miscellaneous	3,395	-	15,000	18,395
Total Cash Receipts	<u>51,099</u>	<u>23,691</u>	<u>15,000</u>	<u>89,790</u>
<u>Cash Disbursements:</u>				
General Government	30,737	-	-	30,737
Public Safety	9,630	-	-	9,630
Leisure Time Activities	2,215	519	-	2,734
Transportation	-	23,072	-	23,072
Capital Outlay	41	55	-	96
Total Cash Disbursements	<u>42,623</u>	<u>23,646</u>	<u>-</u>	<u>66,269</u>
Total Receipts Over/(Under) Disbursements	<u>8,476</u>	<u>45</u>	<u>15,000</u>	<u>23,521</u>
Fund Cash Balances, January 1	<u>38,038</u>	<u>17,768</u>	<u>39,422</u>	<u>95,228</u>
Fund Cash Balances, December 31	<u>\$ 46,514</u>	<u>\$ 17,813</u>	<u>\$ 54,422</u>	<u>\$ 118,749</u>
Reserve for Encumbrances, December 31	<u>\$ 278</u>	<u>\$ 854</u>	<u>\$ -</u>	<u>\$ 1,132</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, 2009**

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 271,685
Total Operating Cash Receipts	271,685
<u>Operating Cash Disbursements:</u>	
Personal Services	79,137
Fringe Benefits	22,440
Contractual Services	95,073
Supplies and Materials	8,462
Capital Outlay	216
Miscellaneous	21,748
Total Operating Cash Disbursements	227,076
Operating Income	44,609
<u>Non-Operating Cash Receipts:</u>	
Miscellaneous	1,574
Total Non-Operating Cash Receipts	1,574
<u>Non-Operating Cash Disbursements:</u>	
Debt Service - Principal	(23,474)
Debt Service - Interest	(12,257)
Total Non-Operating Cash Disbursements	(35,731)
Excess of Cash Receipts Over /(Under) Cash Disbursements	10,452
Fund Cash Balances, January 1	236,407
Fund Cash Balances, December 31	\$ 246,859
Reserve for Encumbrances, December 31	\$ 2,553

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, 2008

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash Receipts:				
Property and Local Taxes	\$ 21,340	\$ -	\$ -	\$ 21,340
Charges for Services	150	-	-	150
Intergovernmental	26,222	22,995	-	49,217
Earnings on Investments	4,025	1,271	-	5,296
Fines, Licenses and Permits	6,133	-	-	6,133
Miscellaneous	2,119	36	21,953	24,108
Total Cash Receipts	<u>59,989</u>	<u>24,302</u>	<u>21,953</u>	<u>106,244</u>
Cash Disbursements:				
General Government	50,290	-	-	50,290
Public Safety	9,035	-	-	9,035
Leisure Time Activities	103	-	-	103
Transportation	-	28,237	-	28,237
Capital Outlay	799	-	5,460	6,259
Total Cash Disbursements	<u>60,227</u>	<u>28,237</u>	<u>5,460</u>	<u>93,924</u>
Total Receipts Over/(Under) Disbursements	<u>(238)</u>	<u>(3,935)</u>	<u>16,493</u>	<u>12,320</u>
Fund Cash Balances, January 1	<u>38,276</u>	<u>21,703</u>	<u>22,929</u>	<u>82,908</u>
Fund Cash Balances, December 31	<u>\$ 38,038</u>	<u>\$ 17,768</u>	<u>\$ 39,422</u>	<u>\$ 95,228</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, 2008**

	Proprietary Fund Type
	Enterprise
<u>Operating Cash Receipts:</u>	
Charges for Services	\$ 271,072
Total Operating Cash Receipts	271,072
<u>Operating Cash Disbursements:</u>	
Personal Services	72,790
Fringe Benefits	24,385
Contractual Services	95,829
Supplies and Materials	4,429
Capital Outlay	1,598
Miscellaneous	24,804
Total Operating Cash Disbursements	223,835
Operating Income	47,237
<u>Non-Operating Cash Receipts:</u>	
Miscellaneous	10,011
Total Non-Operating Cash Receipts	10,011
<u>Non-Operating Cash Disbursements:</u>	
Debt Service - Principal	(22,666)
Debt Service - Interest	(13,584)
Total Non-Operating Cash Disbursements	(36,250)
Excess of Receipts Over /(Under) Disbursements	20,998
Fund Cash Balances, January 1	215,409
Fund Cash Balances, December 31	\$ 236,407
Reserve for Encumbrances, December 31	\$ 2,451

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

**VILLAGE OF BEVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

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, 2009 AND 2008
(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 12/31/2009.

A summary of 2009 and 2008 budgetary activity appears in Note 3.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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:

	2009	2008
Demand deposits	\$289,204	\$259,915
Certificates of deposit	76,404	71,720
Total deposits and investments	\$365,608	\$331,635

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, 2009 and 2008 follows:

2009 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$59,038	\$51,099	(\$7,939)
Special Revenue	22,689	23,691	1,002
Capital Projects	15,000	15,000	0
Enterprise	286,114	273,259	(12,855)
Total	\$382,841	\$363,049	(\$19,792)

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2009 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,951	\$42,901	\$53,050
Special Revenue	30,382	24,500	5,882
Capital Projects	54,422	0	54,422
Enterprise	508,446	265,360	243,086
Total	\$689,201	\$332,761	\$356,440

2008 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,757	\$59,989	\$4,232
Special Revenue	24,368	24,302	(66)
Capital Projects	10,000	21,953	11,953
Enterprise	295,100	281,083	(14,017)
Total	\$385,225	\$387,327	\$2,102

2008 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$96,636	\$60,495	\$36,141
Special Revenue	36,869	29,091	7,778
Capital Projects	32,929	5,460	27,469
Enterprise	512,097	262,536	249,561
Total	\$678,531	\$357,582	\$320,949

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(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, 2009 was as follows:

Loan Description	Amount Outstanding	Interest Rate
Ohio Water Development Authority # 1476	\$58,914	8.35%
Sewer System Mortgage Revenue Bond	135,000	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
2010	16,268	20,750	37,018
2011	16,268	21,050	37,318
2012	16,268	21,300	37,568
2013	16,268	21,500	37,768
2014	8,133	21,650	29,783
2015-2017	0	60,850	\$60,850
Total	\$73,205	\$167,100	\$240,305

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, 2009 AND 2008
(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 10.00 percent of their gross salaries, and the Village was required to contribute an amount equal to 14.00 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2009.

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

Risk Pool Membership

The Society 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). Member governments pay annual contributions to fund PEP.

PEP pays judgments, settlements and other expenses resulting from covered claims that exceed members' deductibles.

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence, 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 \$10,000,000 in aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from General Reinsurance Corporation.

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.

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

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.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008
(Continued)**

7. RISK MANAGEMENT (Continued)

Financial Position

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

<u>Casualty Coverage</u>	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>(15,310,206)</u>	<u>(17,340,825)</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

Workers' compensation benefits are provided through the State Bureau of Worker's Compensation. The premium is calculated based upon accident history and administrative costs.

There has been no significant reduction in insurance coverage from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three calendar years.

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 5705.41(D), the Village did not properly certify the availability of funds prior to expenditure.



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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*

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

To the Village Council:

We have audited the financial statements of the Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated February 7, 2011, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 opinion 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.

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 combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Village's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses that we consider to be significant deficiencies in internal control over financial reporting. We consider findings 2009-003 and 2009-004 to be significant deficiencies. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Village of Beaverdam
Allen County

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards* (Continued)

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 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 item No. 2009-001, 2009-002 and 2009-004.

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.

We did note certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated February 7, 2011.

This report is intended for the information and use of management, Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPA

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February 7, 2011

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-001

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 2008, appropriations for the Street Maintenance and Construction, Water and the Sewer Funds exceeded their available resources. In fiscal year 2009, appropriations for the General, Street Maintenance and Construction, and Sewer funds exceeded 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. 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.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES (Continued)
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-002

Noncompliance Citation

The Ohio Revised Code Section 5705.41 (D) states no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract 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 encumbrances.

In 2008, nine expenditures or fifteen percent of the sixty expenditures tested were not properly certified. In 2009, twenty-five or forty-two percent of the sixty expenditures tested were not properly certified.

Failure to certify that the amount required for the order or contract 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 encumbrances may lead to deficit spending. The fiscal officer should certify the availability of funds prior to expenditure.

Client Response:

The Village will follow the auditor's recommendation and certify funds prior to expenditure.

FINDING NUMBER 2009-003

Significant Deficiency - 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 \$1,471 in 2008 and \$1,529 in 2009 were recorded as property tax revenues. 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.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS & RESPONSES (Continued)
DECEMBER 31, 2009 AND 2008**

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

FINDING NUMBER 2009-004

Noncompliance/Significant Deficiency - 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 \$1,271 and \$860 were adjusted to reallocate interest from the General Fund to the Motor Vehicle License Tax Fund for 2008 and 2009 respectively.

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
DECEMBER 31, 2009 AND 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Noncompliance with 5705.36 (A)	No	Re-issued as Finding 2009-001.
2007-002	Noncompliance with 5705.39	No	Partially corrected. Reissued as a management letter comment.
2007-003	Correct posting of receipts.	No	Re-issued as Finding 2009-003.
2007-004	Allocation of interest between funds.	No	Re-issued as Finding 2009-004.



Dave Yost • 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
APRIL 7, 2011**