



Dave Yost • Auditor of State

VILLAGE OF BEAVERDAM
ALLEN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2013	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Enterprise Funds - For the Year Ended December 31, 2013	4
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – Enterprise Funds - For the Year Ended December 31, 2012	6
Notes to the Financial Statements	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	15
Schedule of Findings.....	17
Schedule of Prior Audit Findings.....	21

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Village of Beaverdam
Allen County
101 W. Main St
Beaverdam, OH 45808

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Village's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Village's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Village prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of the Village of Beaverdam, Allen County as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Village's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2014

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$16,024			\$16,024
Municipal Income Tax	228,959			228,959
Intergovernmental	8,860	\$30,676		39,536
Special Assessments	2,696			2,696
Charges for Services	280	25		305
Fines, Licenses and Permits	6,017			6,017
Earnings on Investments	1,298	124		1,422
Miscellaneous	6,655			6,655
Total Cash Receipts	<u>270,789</u>	<u>30,825</u>		<u>301,614</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	5,989			5,989
Public Health Services	1,396			1,396
Leisure Time Activities	2,353			2,353
Transportation		31,937		31,937
General Government	64,117			64,117
Capital Outlay	168,192		\$126,211	294,403
Total Cash Disbursements	<u>242,047</u>	<u>31,937</u>	<u>126,211</u>	<u>400,195</u>
Excess of Receipts Over (Under) Disbursements	<u>28,742</u>	<u>(1,112)</u>	<u>(126,211)</u>	<u>(98,581)</u>
Other Financing Receipts (Disbursements):				
Other Debt Proceeds			126,211	126,211
Transfers In		5,000		5,000
Transfers Out	(5,000)			(5,000)
Other Financing Sources	190			190
Other Financing Uses	(100)			(100)
Total Other Financing Receipts (Disbursements)	<u>(4,910)</u>	<u>5,000</u>	<u>126,211</u>	<u>126,301</u>
Net Change in Fund Cash Balances	23,832	3,888		27,720
Fund Cash Balances, January 1	<u>295,064</u>	<u>16,147</u>	<u>46,101</u>	<u>357,312</u>
Fund Cash Balances, December 31:				
Restricted		18,488		18,488
Committed		1,547	46,101	47,648
Unassigned (Deficit)	318,896			318,896
Fund Cash Balances, December 31	<u>\$318,896</u>	<u>\$20,035</u>	<u>\$46,101</u>	<u>\$385,032</u>

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Operating Cash Receipts:

Charges for Services	\$403,968
Miscellaneous	513
Total Operating Cash Receipts	<u>404,481</u>

Operating Cash Disbursements:

Personal Services	84,024
Employee Fringe Benefits	28,922
Contractual Services	117,577
Supplies and Materials	15,598
Other	204,092
Total Operating Cash Disbursements	<u>450,213</u>

Operating (Loss)	<u>(45,732)</u>
------------------	-----------------

Non-Operating Receipts (Disbursements):

Special Assessments	50
Miscellaneous Receipts	7,513
Capital Outlay	(128,718)
Principal Retirement	(30,435)
Interest and Other Fiscal Charges	(6,036)
Total Non-Operating Receipts (Disbursements)	<u>(157,626)</u>

Net Change in Fund Cash Balances	(203,358)
----------------------------------	-----------

Fund Cash Balances, January 1:	<u>472,710</u>
--------------------------------	----------------

Fund Cash Balances, December 31:	<u><u>\$269,352</u></u>
----------------------------------	-------------------------

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$16,849			\$16,849
Municipal Income Tax	140,818			140,818
Intergovernmental	18,222	\$24,149		42,371
Special Assessments	3,540			3,540
Charges for Services	350	284		634
Fines, Licenses and Permits	4,980			4,980
Earnings on Investments	1,016	213		1,229
Miscellaneous	1,506	56		1,562
Total Cash Receipts	<u>187,281</u>	<u>24,702</u>		<u>211,983</u>
Cash Disbursements:				
Current:				
Security of Persons and Property	10,706			10,706
Public Health Services	1,552			1,552
Leisure Time Activities	610			610
Transportation		23,623		23,623
General Government	126,419			126,419
Capital Outlay	52,796			52,796
Total Cash Disbursements	<u>192,083</u>	<u>23,623</u>		<u>215,706</u>
Excess of Receipts Over (Under) Disbursements	<u>(4,802)</u>	<u>1,079</u>		<u>(3,723)</u>
Other Financing Receipts (Disbursements):				
Sale of Capital Assets	2,787			2,787
Other Financing Sources	390			390
Other Financing Uses	(190)			(190)
Total Other Financing Receipts (Disbursements)	<u>2,987</u>			<u>2,987</u>
Net Change in Fund Cash Balances	(1,815)	1,079		(736)
Fund Cash Balances, January 1:	<u>296,879</u>	<u>15,068</u>	<u>\$46,101</u>	<u>358,048</u>
Fund Cash Balances, December 31:				
Restricted		14,538		14,538
Committed		1,609	46,101	47,710
Unassigned (Deficit)	295,064			295,064
Fund Cash Balances, December 31	<u>\$295,064</u>	<u>\$16,147</u>	<u>\$46,101</u>	<u>\$357,312</u>

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Operating Cash Receipts:	
Charges for Services	<u>\$448,829</u>
Operating Cash Disbursements:	
Personal Services	99,462
Employee Fringe Benefits	31,396
Contractual Services	102,384
Supplies and Materials	7,207
Other	<u>51,489</u>
Total Operating Cash Disbursements	<u>291,938</u>
Operating Income	<u>156,891</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous Receipts	4,714
Capital Outlay	(7,562)
Principal Retirement	(29,323)
Interest and Other Fiscal Charges	<u>(7,769)</u>
Total Non-Operating Receipts (Disbursements)	<u>(39,940)</u>
Net Change in Fund Cash Balances	116,951
Fund Cash Balances, January 1:	<u>355,759</u>
Fund Cash Balances, December 31:	<u><u>\$472,710</u></u>

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, 2013 AND 2012**

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 Beaverdam, Allen County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including, water and sewer utilities, garbage and trash services, and street and highway maintenance. The Village contracts with the Allen County Sheriff's department to provide security of persons and property.

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 participates in one jointly governed organization and the Ohio Plan Risk Management public entity risk pool. Notes 8 and 9 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:

Ohio Plan Risk Management which provides property, liability, errors and omissions, law enforcement, automobiles, excess liability, crime, surety and bond, inland marine and other coverages to its members.

Jointly Governed Organization:

Lima-Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village has no investments.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting

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

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Village had the following significant Special Revenue Fund:

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

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Village had the following Capital Project Fund:

Municipal Building Construction Fund – This fund receives proceeds of general obligation notes. The proceeds are being used to construct a new municipal building.

4. 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 Funds:

Water Fund - This fund receives charges for services from residents to cover water service costs.

Sewer Fund - This fund receives charges for services from residents to cover sewer service costs.

E. Budgetary Process

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

1. Appropriations

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 re-appropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law which violated Ohio Revised Code Section 5705.41(D).

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

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

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED DEPOSITS

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

	2013	2012
Demand deposits	\$573,559	\$750,106
Certificates of deposit	80,825	79,916
Total deposits	654,384	830,022

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$185,427	\$270,979	\$85,552
Special Revenue	27,935	35,825	7,890
Capital Projects		126,211	126,211
Enterprise	450,680	412,044	(38,636)
Total	\$664,042	\$845,059	\$181,017

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$476,084	\$247,147	\$228,937
Special Revenue	40,840	31,937	8,903
Capital Projects	406,100	126,211	279,889
Enterprise	896,816	615,402	281,414
Total	\$1,819,840	\$1,020,697	\$799,143

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$175,740	\$190,458	\$14,718
Special Revenue	23,000	24,702	1,702
Capital Projects			
Enterprise	382,400	453,543	71,143
Total	\$581,140	\$668,703	\$87,563

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$462,620	\$192,273	\$270,347
Special Revenue	30,441	23,623	6,818
Capital Projects	33,577		33,577
Enterprise	732,185	336,592	395,593
Total	\$1,258,823	\$552,488	\$706,335

Some receipts were recorded in the wrong fund which violated Ohio Revised Code Section 5705.10(D).

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.

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

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 1 percent on substantially all earned income arising from employment, residency, or business activities within the Village as well as certain income of residents earned outside of the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village either monthly or quarterly, as required. Corporations and other individual taxpayers pay estimated taxes quarterly and file a declaration annually.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. DEBT

Debt outstanding at December 31, 2013 was as follows:

	Principal	Interest Rate
Town Hall Building Project	\$126,211	3.18%
Sewer System First Mortgage Revenue Bonds	74,000	5.00%
Capital Lease - Truck	12,619	4.00%
Ohio Water Development Authority Loan	7,510	8.35%
Total	<u>\$220,340</u>	

On September 25, 2013, a loan in the amount of \$300,000 was received to construct a new town hall. As of December 31, 2013, \$126,211 had been drawn down on this loan. The loan is to be repaid with monthly principal and interest payments starting on May 1, 2014 and maturing on April 1, 2034. This loan will be re-paid from the General Fund.

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. These bonds are being repaid from the Sewer Operating Fund.

The Ohio Water Development Authority (OWDA) loan relates to a water and sewer plant expansion project the Ohio Environmental Protection Agency mandated. The OWDA approved up to \$168,000 in loans to the Village for this project. The Village 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%. This loan is being repaid from the Water Operating Fund.

In February 2012, the Village entered into a capital lease for the purchase of a dump truck. Lease payments are for a term of 5 years beginning in 2010. This lease is being paid from the General, Water, and Sewer funds.

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

Year ending December 31:	Town Hall Loan	OWDA Loan	Mortgage Revenue Bonds	Capital Lease-Truck
2014	\$13,531	\$8,134	\$20,700	\$12,951
2015	20,296		20,850	
2016	20,296		20,950	
2017	20,296		21,000	
2018	20,919			
2019-2023	120,174			
2024-2028	120,174			
2029-2033	120,174			
2034	8,012			
Total	<u>\$463,872</u>	<u>\$8,134</u>	<u>\$83,500</u>	<u>\$12,951</u>

7. RETIREMENT SYSTEMS

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

7. RETIREMENT SYSTEMS (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10%, respectively, of their gross salaries and the Village contributed an amount equaling 14%, respectively, of participants' gross salaries. The Village has paid all contributions required through December 31, 2012.

8. RISK MANAGEMENT

The Village belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty.

The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

	<u>2012</u>	<u>2011</u>
Assets	\$13,100,381	\$12,501,280
Liabilities	<u>(6,687,193)</u>	<u>(5,328,761)</u>
Members' Equity	<u>\$6,413,188</u>	<u>\$7,172,519</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

9. JOINTLY GOVERNED ORGANIZATIONS

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

10. SUBSEQUENT EVENTS

The Project for the Town Garage is done and paid for. The Town Hall is 98% done, they need to only do small things yet. When the Village pays back the loan to Citizens National Bank, the first six months will be only interest then the Village will have to pay on the loan for at least one year and can then pay it off if the Village chooses. The Village has a twenty year loan, with the last payment being April 1, 2034. The Village also still owes Kuhlman Builders \$45,624.02 which will be one payment or two because we will hold 8% until the work is complete.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Beaverdam
Allen County
101 W. Main St
Beaverdam, OH 45808

To the Members of Council,

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2014, wherein we noted the Village followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Village's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Village's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Village's financial statements. 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. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of to be material weaknesses.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2013-002 and 2013-003.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Village's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Village's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive, flowing style.

Dave Yost
Auditor of State

Columbus, Ohio

August 13, 2014

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

FINDING NUMBER 2013-001

Material Weakness

Recording of Financial Activity

The Village should have procedures in place to help assure that financial transactions are correctly classified in the accounting records and financial statements to assist in the effective management and reporting of financial resources. The following errors were identified in the Village's accounting records and financial statements:

The following errors were identified in the December 31, 2013 financial statements and were adjusted in the accompanying financial statements:

- Special assessment receipts in the amount of \$2,642 were recorded in the General Fund as Property and Other Local Taxes.
- Tangible personal property tax receipts in the amount of \$104 were recorded in the General Fund as Miscellaneous Receipts instead of Intergovernmental Receipts.
- Homestead and rollback receipts in the amount of \$1,546 were recorded in the General Fund as Property and Other Local Taxes receipts instead of Intergovernmental Receipts.
- Local government support receipts in the amount of \$745 were recorded in the General Fund as Property and Other Local Taxes receipts instead of Intergovernmental Receipts.
- The \$1,547 ending fund balance of the Special Revenue Park Fund which was established by Council action was recorded as Restricted Fund balance instead of Committed Fund balance.
- Funding received from another government in the amount of \$6,233 was recorded as Miscellaneous Receipts instead of Intergovernmental Receipts.
- The ending fund balance of the Capital Projects Fund in the amount of \$46,101 which consisted of receipts committed by Council was classified as Assigned instead of Committed.

The following errors were identified in the December 31, 2012 financial statements and were adjusted in the accompanying financial statements:

- General Fund Receipts in the amount of \$427 associated with Fines, Licenses, and Permits, were recorded as Miscellaneous Receipts.
- Receipts from the sale of capital assets were recorded in the General Fund as Miscellaneous Receipts instead of Sale of Capital Assets receipts.
- Special Assessment receipts in the amount of \$3,470 in the General Fund were recorded as Property and Other Local Taxes.
- Homestead and rollback receipts and personal property tax reimbursement receipts in the amount of \$3,054 were recorded in the General Fund as Property and Other Local Tax receipts instead of Intergovernmental Receipts.
- The \$1,609 ending fund balance of the Special Revenue Park Fund which was established by Council action was recorded as Restricted Fund balance instead of Committed Fund balance.
- The ending fund balance of the Capital Projects Fund in the amount of \$46,101 which consisted of receipts committed by Council was classified as Assigned instead of Committed.
- The beginning balance of the Special Revenue Income Tax Fund in the amount of \$264,291, receipts of \$140,818, disbursements of \$125,407, and ending balance of \$279,702, were not rolled into the General Fund as required by GASB Statement 54 since the income tax is for general municipal operations.

**FINDING NUMBER 2013-001
 (Continued)**

In addition to the errors listed above, in 2013 and 2012 real estate taxes and special assessment receipts were recorded net of related fees charged by the county auditor, which resulted in the understatement of receipts and disbursements in the General Fund.

The accompanying financial statements have been adjusted to correct these recording errors.

There was no evidence to indicate that Council had reviewed and approved monthly budget versus actual reports or other financial reports throughout 2013 and 2012. The failure to monitor financial activity may have contributed to the identified reporting errors. In addition to inhibiting Council's ability to detect financial reporting errors, the lack of monitoring increased the risk that actual activity is not in line with the budgeted receipts and disbursements approved by Council, that noncompliance with laws and regulations will not be detected, and that other errors and/or irregularities will not be detected in a timely manner.

The errors identified above should be reviewed by the Fiscal Officer to help assure that similar errors are not recorded in the accounting records and reported on the financial statements in subsequent years. The Members of Council should periodically review the accounting records to help identify and correct errors prior to completion of the annual financial statements. In addition, the Village Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, and the UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of financial activity. Also, the Fiscal Officer should provide Council with a monthly financial reporting package that consists of, but is not necessarily limited to, budget versus actual receipt and disbursement reports, fund balance reports, check register, and bank to book reconciliations. These reports could be provided electronically or in hard copy. Evidence of Council's review and approval should be noted in the minutes.

FINDING NUMBER 2013-002

Material Weakness/Noncompliance Citation

Ohio Rev. Code § 5705.10(D) states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. During 2013 and 2012, the Village recorded the following receipts in the incorrect funds:

Year	Amount	Receipt Description	Fund Recorded in	Correct Fund
2013	\$4,049	Permissive license tax and motor vehicle license tax	General	Special Revenue Street
2013	\$4,073	Sewer receipts	General	Enterprise Sewer
2012	\$2,010	Permissive license tax	General	Special Revenue Street
2012	\$163	Permissive license tax	General	Special Revenue Highway
2012	\$2,634	Sewer receipts	General	Enterprise Sewer
2012	\$966	Sewer receipts	General	Enterprise Sewer
2012	\$46	Excess IRP	General	Special Revenue Street

There was no evidence to indicate that Council had reviewed and approved monthly budget versus actual receipt reports or other financial reports throughout 2013 and 2012. The failure to monitor financial activity may have contributed to the identified receipt recording errors. The failure to record receipts in the correct fund impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, may materially misstate the financial statements, and makes it more difficult to detect irregularities.

The accounting records and accompanying financial statements have been adjusted to correctly record these receipts.

FINDING NUMBER 2013-002
(Continued)

The Fiscal Officer and Council should routinely perform an in-depth review of the accounting records and supporting documentation to help detect errors in a timely manner. Also the Fiscal Officer should review the Village Officer's Handbook, Auditor of State Bulletins, UAN Manual, which can be found on the Auditor of State Website at <https://ohioauditor.gov/>, for guidance in recording of receipts.

FINDING NUMBER 2013-003

Noncompliance Citation

Ohio Rev. Code § 5705.41(D) prohibits a subdivision or taxing unit from making any contract or ordering any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

1. **"Then and Now" certificate** – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the subdivision can authorize the drawing of a warrant for the payment of the amount due. The subdivision has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the subdivision.

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the 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.
3. **Super Blanket certificate** – The subdivision 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 one line item appropriation

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.

The Fiscal Officer did not properly certify the availability of funds prior to purchase commitment for 15 of the 37 (41%) expenditures tested.

FINDING NUMBER 2013-003
(Continued)

The Fiscal Officer should certify that the funds are or will be available prior to the obligation by the Village to improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations. When prior certification is not possible, "Then and Now" certification may, if appropriate, be used. When the "Then and Now" certification is used for amounts equal to or in excess of \$3,000, the Council should approve the payment by resolution within 30 days.

OFFICIALS' RESPONSE: We did not receive a response from Officials to the findings reported above.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2011-001	Recording of Financial Activity – Classification errors were identified on the financial statements	No	Repeated as Finding 2013-001
2011-002	Ohio Rev. Code § 5705.10(D) – Receipts were recorded in the wrong fund and a fund was not correctly classified under GASB 54	No	Similar comment repeated as Finding 2013-002
2011-003	Village Ordinances 2007-18 and 2007-43 – The Village did not charge customers the approved sewer and water rates	Yes	
2011-004	Ohio Rev. Code § 5705.41(D) – The Village did not prior certify expenditures	No	Repeated as Finding 2013-003

This page intentionally left blank.



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
SEPTEMBER 16, 2014**