



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



VILLAGE OF BEAVERDAM  
ALLEN COUNTY

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## REPORT OF INDEPENDENT ACCOUNTANTS

Village of Beaverdam  
Allen County  
101 West Main Street  
P.O. Box 127  
Beaverdam, Ohio 45808

To the Members of Council:

We have audited the accompanying financial statements of the Village of Beaverdam, Allen County (the Village), as of and for the year ended December 31, 2001. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 December 31, 2001, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2002 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Public Affairs, Members of Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a horizontal line extending to the right.

**Jim Petro**  
Auditor of State

September 9, 2002

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>				
Property Tax and Other Local Taxes	\$15,095			\$15,095
Intergovernmental Receipts	36,811	\$18,019		54,830
Fines, Licenses, and Permits	2,425			2,425
Earnings on Investments	3,227	294		3,521
Miscellaneous	6,014	1,420		7,434
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	63,572	19,733		83,305
<b>Cash Disbursements:</b>				
Current:				
Security of Persons and Property	3,030			3,030
Public Health Services	2,660			2,660
Leisure Time Activities	1,555			1,555
Transportation		26,787		26,787
General Government	33,010			33,010
Capital Outlay	10,603			10,603
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	50,858	26,787		77,645
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	12,714	(7,054)		5,660
<b>Other Financing Receipts and (Disbursements):</b>				
Refund of Prior Year Expenditure			\$12,750	12,750
Transfers-In		9,000		9,000
Transfers-Out	(9,000)			(9,000)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(9,000)	9,000	12,750	12,750
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,714	1,946	12,750	18,410
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	29,752	7,934	22,103	59,789
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Fund Cash Balances, December 31</b>	<b>\$33,466</b>	<b>\$9,880</b>	<b>\$34,853</b>	<b>\$78,199</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Reserves for Encumbrances, December 31	\$3,201	\$0	\$0	\$3,201
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

*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, 2001**

	<b>Proprietary Fund Type</b>
	<b>Enterprise</b>
<b>Operating Cash Receipts:</b>	
Charges for Services	\$198,203
Miscellaneous	869
	<u>199,072</u>
<b>Operating Cash Disbursements:</b>	
Personal Services	42,240
Fringe Benefits	11,224
Contractual Services	33,433
Supplies and Materials	33,583
Capital Outlay	10,684
Miscellaneous	16,082
	<u>147,246</u>
Total Operating Cash Disbursements	<u>147,246</u>
Operating Income	<u>51,826</u>
<b>Non-Operating Cash Receipts:</b>	
Other Non-Operating Receipts	<u>5,778</u>
Total Non-Operating Cash Receipts	<u>5,778</u>
<b>Non-Operating Cash Disbursements:</b>	
Debt Service - Principal	17,393
Debt Service - interest	28,041
	<u>45,434</u>
Total Non-Operating Cash Disbursements	<u>45,434</u>
Excess of Cash Receipts and Non-operating Receipts Over/ (Under) Disbursements and Non-operating Disbursements	12,170
Fund Cash Balances, January 1	<u>204,300</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$216,470</u></u></b>
Reserve for Encumbrances, December 31	<u><u>\$11,337</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, 2001**

**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**

Certificates of deposit are valued at cost.

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.

**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 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 capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

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

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(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 and interest earnings. 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 reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2001 budgetary activity appears in Note 3.

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(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 leaving employment. 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 INVESTMENTS**

The Village maintains a cash and investments 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

	<b>2001</b>
Demand deposits	\$98,616
Certificates of deposit	<u>196,053</u>
Total deposits and investments	<u>\$294,669</u>

**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, 2001 follows:

**2001 Budgeted vs. Actual Receipts**

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$42,630	\$63,572	\$20,942
Special Revenue	22,000	28,733	6,733
Capital Projects	5,000	12,750	7,750
Enterprise	<u>130,000</u>	<u>204,850</u>	<u>74,850</u>
Total	<u>\$199,630</u>	<u>\$309,905</u>	<u>\$110,275</u>

**2001 Budgeted vs. Actual Budgetary Basis Expenditures**

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 0	\$63,059	\$ (63,059)
Special Revenue	0	26,787	(26,787)
Capital Projects	0	0	0
Enterprise	<u>0</u>	<u>204,017</u>	<u>(204,017)</u>
Total	<u>\$ 0</u>	<u>\$293,863</u>	<u>\$ (293,863)</u>

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

There was no evidence of an appropriation ordinance officially adopted for the year 2001, and expenditures exceed appropriations in several line items at the legal level of control. In addition, forty-eight percent of expenditures were not certified as to funds available as required. Also, a required fund was not established and revenue was paid into incorrect funds in several instances.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. 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, 2001 was as follows:

	<b>Principal</b>	<b>Interest Rate</b>
Ohio Water Development Authority Loan 1	\$123,272	8%
Ohio Water Development Authority Loan 2	2,310	0%
Ohio Water Development Authority Loan 3	1,920	0%
Sewer System First Mortgage Revenue Bonds	<u>227,000</u>	5%
Total	<u>\$354,502</u>	

The Ohio Water Development Authority (OWDA) loan 1 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 \$8,134, including interest. The final payment is scheduled for July 1, 2014.

The Ohio Water Development Authority (OWDA) loan 2 relates to a feasibility study for improvements to water supply system. The OWDA had approved \$3,850 in loans to the Village for this study. The loan will be repaid in annual installments of \$385 over ten years. The final payment is scheduled for July 1, 2007.

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**5. DEBT (Continued)**

The Ohio Water Development Authority (OWDA) loan 3 relates to a feasibility study for improvements to wastewater treatment system. The OWDA had approved \$3,200 in loans to the Village for this study. The loan will be repaid in annual installments of \$320 over ten years. The final payment is scheduled for July 1, 2007.

The Sewer System First Mortgage Revenue Bonds relates to a sewer improvement project. The bond is to be repaid in annual installments over the next seventeen years.

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

Year ending December 31:	OWDA Loan 1	OWDA Loan 2	OWDA Loan 3	Mortgage Revenue Bonds	Totals
2002	\$ 8,134	\$ 385	\$ 320	\$ 21,350	\$ 30,189
2003	16,268	385	320	20,850	37,823
2004	16,268	385	320	21,350	38,323
2005	16,268	385	320	20,800	37,773
2006	16,268	385	320	21,250	38,223
Subsequent	<u>130,143</u>	<u>385</u>	<u>320</u>	<u>229,200</u>	<u>360,048</u>
Total	<u>\$203,349</u>	<u>\$2,310</u>	<u>\$1,920</u>	<u>\$334,800</u>	<u>\$542,379</u>

**6. LEASE PURCHASE AGREEMENT**

The Village entered into a lease for the purchase of a backhoe. The lease originated on October 28, 1999 and was for a five year period. The Village has the option of purchasing the backhoe at the end of the lease by fulfilling the lease obligation terms and giving a 90 day notice prior to such purchase.

Total rental payments including taxes are	\$61,303
Yearly payments are	12,261

Amortization of the above lease, is scheduled as follows:

Year ending December 31	Lease Payments
2002	\$12,261
2003	<u>12,261</u>
Total	<u>\$24,522</u>

**7. NOTE DEBT**

The Village entered into a one year note for the purchase of a truck. The note originated on November 6, 2001. Quarterly interest payments of \$113.76 are due beginning February 2002, with the principal amount of \$13,643.40 due November 6, 2002. Total interest and principal payments due in year 2002 are \$14,098.44.

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**8. RETIREMENT SYSTEMS**

**Public Employees Retirement System (PERS)**

Village officials and employees belong to PERS of Ohio. PERS 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. For 2001, PERS members were required to contribute 8.5 percent of their gross salaries. The Village was required to contribute an amount equal to 13.55 percent of participants' gross salaries. The Village has opted to pay the full PERS percentage contribution amount for the employees' share and has paid all contributions required through December 31, 2001.

**Social Security System**

Effective July 1, 1991, all employees not otherwise covered by PERS 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.

**9. Risk Pool Membership**

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). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Casualty Coverage**

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the 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-occurrence limit of \$2,000,000.

**Property Coverage**

PEP retains property risks, including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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, 2001  
(Continued)

9. Risk Pool Membership (Continued)

**Financial Position**

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

<b>Casualty Coverage</b>	<b>2001</b>	<b>2000</b>
Assets	19,358,458	\$17,112,129
Liabilities	<u>(8,827,588)</u>	<u>(7,715,035)</u>
Retained earnings	<u>\$10,530,870</u>	<u>\$9,397,094</u>
<b>Property Coverage</b>	<b>2001</b>	<b>2000</b>
Assets	1,890,323	\$1,575,614
Liabilities	<u>(469,100)</u>	<u>(281,561)</u>
Retained earnings	<u>\$1,421,223</u>	<u>\$1,294,053</u>

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND  
ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Village of Beaverdam  
Allen County  
101 West Main Street  
P.O. Box 127  
Beaverdam, OH 45808

To the Members of Council:

We have audited the accompanying financial statements of the Village of Beaverdam, Allen County (the Village), as of and for the year ended December 31, 2001, and have issued our report thereon dated September 9, 2002. 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.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2001-30202-001 through 2001-30202-011. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated September 9, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2001-30202-012 through 2001-30202-014.

**Internal Control Over Financial Reporting  
(Continued)**

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2001-30202-012 through 2001-30202-014 to be material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated September 9, 2002.

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



**Jim Petro**  
Auditor of State

September 9, 2002

**VILLAGE OF BEAVERDAM  
ALLEN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2001**

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

**FINDING NUMBER - 2001-30202-001**

**Finding for Recovery - Utilities**

Kathy Swisher, former Village Clerk was responsible for calculating and preparing the utility bills, posting to the utility ledger, and collecting and preparing the collections for deposit. Although the total amount collected, deposited, and documented in the utility journal were in agreement, water and sewer utility charges billed and collected from a consumer were in excess of amounts due. The financial headquarters of the consumer was out of state, and instead of sending the monthly utility billing card, because of the mailing time lag which would cause penalties, invoices were prepared and facsimiles sent (faxed) to the consumer which contained inflated amounts. These additional amounts remitted by the consumer, as part of the billing invoice, were not credited to the utility ledger, nor deposited in the Village treasury. For the period January 1, 1999 through June 30, 2001, a total amount of \$17,198.75, had been billed to the consumer in excess of amounts due and had not been credited to the Village treasury.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money collected but not accounted for, is hereby rendered against, Kathy Swisher, former Clerk, and her bonding company, Ohio Farmers Insurance Company, jointly and severally, in the amount of Seventeen Thousand One Hundred Ninety-eight dollars and seventy-five cents (\$17,198.75) and in favor of the Village Treasury Water and Sewer Utility Funds. Although the Village has not incurred a loss, they should work with the consumer to return the money that is the subject of this finding, as this finding represents the amounts the consumer was over-billed by the former clerk.

**FINDING NUMBER - 2001-30202-002**

**Finding for Recovery - Mileage**

Council has adopted the state policy for mileage reimbursement when performing Village business, including travel to the bank for making Village deposits. Documentation is required explaining the request for travel reimbursement; however none was provided to support the miles traveled. Since documentation was not provided, reimbursement was allowed for the number of miles traveled to the bank for each bank deposit made multiplied by the paid rate per mile which was \$.315. This resulted in mileage overpayments, for the period December 1, 2000 through June 30, 2001, to Kathy Swisher, former Village Clerk.

<b>Date</b>	<b>Mileage Charged</b>	<b>Mileage Paid</b>	<b>Mileage Documented</b>	<b>Mileage Allowed</b>	<b>Amount Overpaid</b>
1/2/2001	206	\$ 64.89	28	\$ 8.82	\$ 56.07
2/1/2001	306	96.39	28	8.82	87.57
3/1/2001	306	96.39	28	8.82	87.57
4/1/2001	192	60.48	28	8.82	51.66
5/1/2001	142	44.73	28	8.82	35.91
6/1/2001	225	70.88	14	4.41	66.47
7/1/2001	334	105.21	42	13.23	91.98
	<u>1,711</u>	<u>\$ 538.97</u>	<u>196</u>	<u>\$ 61.74</u>	<u>\$ 477.23</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended, is hereby rendered against, Kathy Swisher, former Clerk, in the amount of Four Hundred seventy-seven dollars and twenty-three cents (\$477.23), and in favor of the Village of Beavertown treasury General Fund (\$159.08), Water Fund (\$159.08), and Sewer Fund (\$159.07).

**FINDING NUMBER - 2001-30202-003**

**Finding for Recovery -Mileage**

Council has adopted the state policy for mileage reimbursement when performing Village business, including travel to the bank for making Village deposits. Documentation is required explaining the request for travel reimbursement; however none was provided to support the miles traveled. Since documentation was not provided, reimbursement was allowed for the number of miles traveled to the bank for each bank deposit made multiplied by the paid rate per mile which was \$.315. This resulted in mileage over-payments, for the period July 1, 2001 through February 28, 2002, to Tracey Jordan, former Village clerk.

<b>Date</b>	<b>Mileage Charged</b>	<b>Mileage Paid</b>	<b>Mileage Documented</b>	<b>Amount Allowed</b>	<b>Amount Overpaid</b>
10/27/01	172	\$ 58.48	146	\$ 45.99	\$ 12.49
12/20/01	240	75.60	56	17.64	57.96
01/02/02	252	79.56	56	17.36	62.20
02/01/02	170	53.55	28	8.82	44.73
	<u>834</u>	<u>\$ 267.19</u>	<u>286</u>	<u>\$ 89.81</u>	<u>\$ 177.38</u>

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28 a Finding for Recovery for public money illegally expended, is hereby rendered against, Tracey Jordan, former Clerk, in the amount of One Hundred seventy-seven dollars and thirty-eight cents (\$177.38), and in favor of the Village of Beaverdam treasury General Fund (\$59.13), Water Fund (\$59.13), and Sewer Fund (\$59.12).

**FINDING NUMBER - 2001-30202-004**

**Noncompliance Citation - Records Destruction**

**Ohio Revised Code Section 149.351(A)**, states that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

Records were not retained in accordance with the aforementioned provisions. The following exceptions were noted:

- Ordinances for year 2001 were not available. Some originals were found in desk drawers, lying loose within the minutes. However, the copies were not the original official signed copies. **Ohio Rev. Code Section 731.20** requires that as soon as an ordinance is passed and signed it is to be recorded by the clerk in a book furnished by Council for that purpose.
- Minutes for both December 2001 meetings were not prepared and made available for audit.
- The budgetary documents, certificate of estimated resources, certificate of all sources available for expenditure, and acceptance of the tax rates established by the Budget Commission were not retained and had to be obtained from the County Auditor

**FINDING NUMBER - 2001-30202-004  
(Continued)**

- For the period January 1, 2001 through June 29, 2001, the pay-in receipts could not be located. The County Auditor settlement sheets were not available and were obtained from the County Auditor. The bank statements for January, February, March, May, and December 2001 were not retained by the Village. The bank provided copies for these months along with the electronic images of the canceled checks.
- Several invoices with the corresponding duplicate checks attached were not retained for audit. It was necessary for Council and the Board of Public Affairs to sort the bills for year 2001, and attach the correct invoice to the corresponding duplicate check and file them in numerical sequence in order for the audit to proceed.

The lack of retaining required records could result in unexpected liabilities if evidence of payment cannot be presented, possible opinion qualification on the financial statements if sufficient supporting records are not available, and increased audit costs. The ordinances enacted by Council are considered the laws of the Village and as such should be properly maintained and adequately safeguarded. In addition, the minutes constitute a history of the Village and are considered a permanent record.

A policy should be adopted establishing procedures on the retainage of records generated and the manner in which they are to be maintained. A request for destruction of records should be submitted to the Records Commission to address the appropriate procedures for destruction.

**FINDING NUMBER - 2001-30202-005**

**Noncompliance Citation - Village Clerks' Surety Bonds**

**Ohio Rev. Code Section 733.69 Revised Code**, states that each officer of a municipal corporation required by law or ordinance to give bond shall do so before entering upon the duties of the office. **Village Ordinance 96-9** requires the Clerk to obtain a \$40,000 performance bond to protect the Village against loss.

During the year under audit, there were two Village Clerks of which none were bonded. Failure to obtain the fidelity bond could result in a loss of Village funds. The Village has also been placed at risk for the credit balance due to the consumer for overcharges on utilities as discussed in finding 2001-30202-001. In addition, a review of the bank deposits indicated some deposits were in excess of \$20,000 which could result in a significant loss to the Village in the event of misappropriation.

A tickler file should be maintained that indicates when the bonds of the various officials become due, and Council should review the bonds yearly to ensure they are current and that the Village is adequately protected.

**FINDING NUMBER - 2001-30202-006**

**Noncompliance Citation - Fund Establishment**

**Ohio Rev. Code Section 5705.09** states that a special fund is required to be established for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

A separate fund was not established for the Permissive Motor Vehicle License Tax for which the law requires the revenue to be used for a particular purpose. The revenue received, in the amount of \$2,173, was improperly credited to the Street Construction Maintenance and Repair Fund. (See Finding 2001-30202-007).

The required fund should be established by Council to assure that the revenue received from this source is used for the purpose intended.

**FINDING NUMBER - 2001-30202-007**

**Noncompliance Citation - Proper Posting of Revenues**

**Ohio Rev. Code Section 5705.10** states that all revenue derived from a special levy is to be credited to a special fund for the purpose for which the levy was made, and all revenue derived from a source other than 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.

A separate fund was not established for the Permissive Motor Vehicle License Tax; and the revenue received, in the amount of \$2,173, was improperly credited to the Street Construction Maintenance and Repair Fund.

The amount of \$731 in gasoline tax revenues were posted to State Highway Fund instead of the Street Construction Maintenance and Repair Fund.

Past due water and sewer bills certified to and collected by the County Auditor, in the amounts of \$2,706 and \$2,041, respectively were incorrectly posted to the General Fund.

The second half real estate settlement was posted at the net amount rather than the gross amount resulting in an adjustment to General Fund tax revenue of \$612 and an adjustment to General Fund expenditures of \$612.

Failure to establish the required fund and to post revenue to the proper funds results in inaccurate fund balances. In addition, the possibility exists that the revenue would not be used for its intended purpose. The necessary adjustments have been made to the financial statements for the General, Street Construction, Maintenance and Repair, State Highway, and the Water and Sewer funds. The receipts and expenditures for the combined totals for the Special Revenue Fund Type are properly reflected in the financial statements; however, as indicated in finding 2001-30202-006, a Permissive Motor Vehicle License Tax Fund was not established.

**FINDING NUMBER - 2001-30202-008**

**Noncompliance Citation - Adoption of the Appropriation Ordinance**

**Ohio Rev. Code Section 5705.38**, states that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until April 1.

There was no indication that the annual Appropriation Ordinance had been adopted, nor was a copy signed by Council and filed with the County Auditor. The appropriation amounts, for the year 2001, had been posted to the computer system without a properly executed Appropriation Ordinance. In addition, the appropriations posted to the system did not agree with the amounts per the unsigned Appropriation Ordinance.

Failure to adopt, sign and file an appropriation ordinance results in expenditures that are not considered legal, and could also result in the County Auditor withholding resources due the Village. In addition, the posting of unapproved amounts to the system could result in expenditures in excess of available resources and deficit balances.

The Appropriation Ordinance should be enacted annually, formally documented in the minutes, signed by Council, and filed with the County Auditor prior to April 1 of each year. Only the legally enacted appropriation ordinance amounts should be posted to the computer system.

**FINDING NUMBER - 2001-30202-009**

**Noncompliance Citation - Supplemental Appropriations**

**Ohio Rev. Code Section 5705.40** requires that when amending or supplementing appropriations they must be supported by a properly executed resolution or ordinance.

Supplemental appropriations were posted to the computer system on September 26, 2001, and December 31, 2001, without Council approval. There was no indication in the Village minutes that an ordinance was passed approving the supplemental appropriations.

The posting of unapproved amounts to the system could result in expenditures in excess of available resources and deficit balances.

Village Council cannot delegate its authority to make appropriation modifications. Council must approve all appropriation modifications through formal procedures, since they are not officially appropriated until approved by Council.

**FINDING NUMBER - 2001-30202-010**

**Noncompliance Citation - Expenditures Exceeded Appropriations**

**Ohio Rev. Code Section 5705.41(B)**, states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Although appropriation amounts, for the year 2001, had been entered into the computer system, an appropriation ordinance had not been officially adopted and filed. As a result, expenditures exceeded appropriations as follows:

<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Excess</b>
General	\$0	\$59,858	\$(59,858)
Street Construction, Maintenance and Repair	0	25,339	(25,339)
State Highway	0	1,448	(1,448)
Water Revenue	0	116,934	(116,934)
Sewer Revenue	0	64,175	(64,175)
Sewer Surplus	0	11,571	(11,571)

The failure to officially adopt an appropriation ordinance, and monitor appropriations versus expenditures, could result in expenditures exceeding available resources and possibly result in deficit spending. Expenditures should not exceed appropriations, and necessary appropriation modifications should be approved by Council and documented in the minutes.

**FINDING NUMBER - 2001-30202-011**

**Noncompliance Citation - Certification of Expenditures**

**Ohio Revised Code Section 5705.41 (D)** states that 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.

**FINDING NUMBER - 2001-30202-011  
(Continued)**

An exception to this requirement provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that the certification is being completed, sufficient funds were available or were in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of the warrant ("then and now"). The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

Amounts of less than \$1,000 may be paid by the fiscal officer without such affirmation of the taxing authority 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 taxing authority.

Although purchase orders are completed within the computer system, they are not effective unless the fiscal officer's certificate is attached. The purchase orders were not generated from the computer system for the period January 1, 2001 through June 29, 2001, and therefore were not certified through proper signature. Forty-eight percent of the tested expenditures did not have a properly certified purchase order, nor was there evidence of certification that funds were available at the time of making the obligation and at the time of payment ("then and now").

The lack of proper certification could result in the obligation of funds in excess of fund balances resulting in a deficit spending situation. Certification that funds are available should be obtained prior to purchasing goods and services to prevent possible overspending of resources and/or the obligation of amounts in excess of specific line item appropriations. Procedures should be established for obtaining certification prior to incurring an obligation, or for subsequent certification and approval as provided by the exception noted above.

**FINDING NUMBER - 2001-30202-012**

**Reportable Condition - Segregation of Duties – Utility Billing and Collections**

In an entity the size of the Village, it is usually not cost effective to employ the basic internal controls necessary to provide management with reasonable assurance that all related procedures are functioning properly. The Village Clerk is responsible for calculating and preparing the utility bills, posting to the utility ledger, collecting and preparing the collections for deposit.

When one person performs incompatible functions, there is the possibility of errors or irregularities to occur without being detected in the normal course of business operations, and such did occur with the billing and collection of utility revenues.

A policy should be adopted establishing adequate accounting and administrative control procedures, including the establishment of a committee to periodically perform a review to determine that the accounting and administrative procedures are being followed and that the utility journal, billing stubs and deposits reconcile. In addition, on a periodic basis, a person independent of the utility function should agree the utility billings (cards) to the billing journal and verify that each account has been properly billed and mail the billings. The ideal control environment would separate the billing and recording from the collecting and depositing functions.



**FINDING NUMBER - 2001-30202-013**

**Reportable Condition - Monitoring of Monthly Financial Reports**

Financial reports to Council and the Board of Public Affairs (BPA) were not being received timely, and some were approximately four months late. Various reports did not balance, nor did the books balance with the bank. Although the BPA was presented with hand written figures, there were no reports received to verify the information. In addition, the amounts from the Certificate of Estimated Resources and from the Appropriation Resolution were not posted correctly to the Village books. This resulted in an overall error of \$30,900 posted as estimated resources and an overall error of \$47,158 posted as appropriations. There is no one held accountable for the presentation of accurate financial information, in a timely manner, to the decision making bodies. Proper monitoring duties cannot be performed in order to determine if fund balances between reports agree, or that the books reconcile with the bank. The lack of proper and correct financial information impedes the ability of officials to act responsibly in conducting Village affairs.

Receiving inaccurate and/or late financial information could result in Council and/or the BPA obligating funds that are not available, or making decisions based on inaccurate data. Also, the failure to properly monitor the receipts, disbursements, fund balances, and the monthly bank reconciliations could result in misappropriation of revenues without timely detection by management.

Council should monitor monthly reports timely to insure related documents agree. The monthly bank to book reconciliation should be reviewed to insure it agrees with the fund balances and that it includes all bank accounts, investments, including certificates of deposit and savings accounts. The reconciling items should be reviewed to verify there are no unexplained items, and/or that the explanations are factual. Council should initial and date the reports as proof of their review and the signed copy should be included in the minute book. Council should be aware on a continuing basis of the financial position of the Village in order to make informed decisions.

At a minimum, the BPA should be reviewing the utility revenue status report, expenditure status report, fund status report, the warrant register, and the monthly bank to book reconciliation of the utility accounts. The bank to book reconciliation should be compared to the actual bank statement and fund status report.

In addition, since the Village is small, and staff is limited, it is important that Council monitor financial activity closely. For each regular meeting, at a minimum, Council should be provided with detailed budget and actual financial statements, lists of the investments, and cash balances. Council should carefully review the aforementioned information and make appropriate inquiries to help determine the continued integrity of financial information. This information also provides important data necessary to manage the Village. This information should be used to answer questions such as the following:

- Are current receipts sufficient to cover expenditures?
- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood, and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Village maximizing its return on invested cash balances?
- Are the Village records and reports maintained and presented in a manner that provides accurate and meaningful information to Council?

**FINDING NUMBER - 2001-30202-014**

**Reportable Condition - Deposit of Public Money**

Utility collections and other revenue were being held in the clerk's home for approximately two weeks prior to deposit. A review of utility deposits disclosed that the collections could periodically amount to \$14,000 in cash and checks. There was no evidence of a policy regarding the handling or depositing of cash.

The failure to adopt a policy which establishes proper safeguards and requires the deposit of collections timely could lead to a loss of revenue in the form of interest, and an increased risk of theft or loss due to the large amount of cash being held.

A policy should be adopted by Council which should include a time frame in which deposits are to be made, the method of safeguarding if not deposited immediately, (deposits should be made within no more than three days from collection) and the maximum amount that may be held before a deposit is required.

In addition, the Board of Public Affairs should periodically review the recording of utility collections and subsequent deposits to insure they are recorded and deposited timely and in the correct amount. In addition, the monthly revenue journal should be reviewed to verify that revenue was posted to the proper funds.



STATE OF OHIO  
OFFICE OF THE AUDITOR  

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**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  
NOVEMBER 7, 2002**