

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

*Financial Statements
(Audited)*

For The Year Ended
December 31, 2005

LARRY KITTS, CLERK/TREASURER



**Auditor of State
Betty Montgomery**

Members of Council and Mayor
Village of Beverly
Rt 1, Box 13B
Beverly, Ohio 45715

We have reviewed the *Independent Auditors' Report* of the Village of Beverly, Washington County, prepared by Julian and Grube, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

August 30, 2006

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VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO
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Julian & Grube, Inc.
Serving Ohio Local Governments

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditors' Report

Members of Council and Mayor
Village of Beverly
609 Mitchell Ave.
Beverly, Ohio 45715

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Beverly, Washington County, as of and for the year ended December 31, 2005, which collectively comprise the Village's financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Beverly's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the Village of Beverly prepares its financial statements and notes on the cash basis of accounting. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beverly, Washington County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparison for the General Fund, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

As disclosed in Note 2 to the financial statements, the Village has presented a prior period adjustment to restate net assets at January 1, 2005 due to fund reclassifications.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2006, on our consideration of the Village of Beverly's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
Village of Beverly
Page Two

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 26, 2006

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED**

The management's discussion and analysis of the Village of Beverly's (the "Village") financial performance provides an overall review of the Village's financial activities for the year ended December 31, 2005, within the limitations of the Village's cash basis of accounting. The intent of this discussion and analysis is to look at the Village's financial performance as a whole; readers should also review the cash-basis financial statements and the notes to the financial statements to enhance their understanding of the Village's financial performance.

Financial Highlights

Key financial highlights for 2005 are as follows:

- The total net cash assets of the Village increased \$188,773. Net cash assets of governmental activities increased \$183,595, which represents a 75.23% increase over fiscal year 2004. Net cash assets of business-type activities increased \$5,178 or 6.63% from fiscal year 2004.
- General cash receipts accounted for \$952,353 or 75.81% of total governmental activities cash receipts. Program specific cash receipts accounted for \$303,923 or 24.19% of total governmental activities cash receipts.
- The Village had \$1,109,582 in cash disbursements related to governmental activities; \$303,923 of these cash disbursements were offset by program specific charges for services, grants or contributions. General cash receipts (primarily taxes and grants and entitlements) of \$952,353 were adequate to provide for these programs.
- The Village's major funds are the general fund and capital improvement fire department fund. The general fund had cash receipts and other financing sources of \$676,883 in 2005. The cash disbursements and other financing uses of the general fund totaled \$472,000 in 2005. The general fund's cash balance increased \$204,883 from 2004 to 2005.
- The capital improvement fire department fund, a Village major fund, had cash receipts from other financing sources of \$546,827 in 2005. The capital improvement fire department fund had cash disbursements of \$505,446 in 2005. The capital improvement fire department fund cash balance increased \$41,381 from 2004 to 2005.
- Net cash assets for the Water enterprise fund increased in 2005 by \$3,078 or 16.34%. The net cash assets for the Sewer enterprise fund decreased in 2005 by \$7,522 or 20.40%.

Using this Cash Basis Basic Financial Statements (BFS)

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Village's cash basis of accounting.

The Statement of Net Assets - Cash Basis and Statement of Activities - Cash Basis provide information about the activities of the whole Village, presenting an aggregate view of the Village's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the Village's most significant funds with all other nonmajor funds presented in total in one column. In the case of the Village, there are two major governmental funds. The general fund is the largest major fund.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Reporting the Village as a Whole

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis answer the question, "How did we do financially during 2005?" These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principals generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid.

These two statements report the Village's net assets and changes in those assets on a cash basis. This change in net cash assets is important because it tells the reader that, for the Village as a whole, the cash basis financial position of the Village has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the Village's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis, the Village is divided into two distinct kinds of activities. Governmental Activities - Most of the Village's programs and services are reported here including human services, health, public safety, public works and general government. Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The Village's water, sewer, utility improvement and guaranteed deposits enterprise funds are reported as business activities

The Statement of Net Assets - Cash Basis and the Statement of Activities - Cash Basis can be found on pages 13-15 of this report.

Reporting the Village's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the Village's major funds. The Village uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the Village's most significant funds. The Village's major governmental funds are the General Fund and Capital Improvement Fire Department Fund. The analysis of the Village's major governmental funds begins on page 10.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Governmental Funds

Most of the Village's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America. The governmental fund statements provide a detailed view of the Village's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various Village programs. Since the Village is reporting on the cash basis of accounting, there are no differences in the Net Assets and fund cash balances or changes in Net Assets and changes in fund cash balances. Therefore, no reconciliation is necessary between such financial statements. However, differences will be apparent when comparing gross cash receipts and cash disbursements on the Fund Financial Statements to the Statement of Activities - Cash Basis due to transfers between governmental funds being eliminated for reporting in the Statement of Activities - Cash Basis. The governmental fund statements can be found on pages 16-17 of this report.

The Village's budgetary process accounts for certain transactions on a cash basis. The budgetary statement for the General Fund is presented to demonstrate the Village's compliance with annually adopted budgets. The budgetary statement can be found on page 18 of this report.

Proprietary Funds

The Village maintains one type of proprietary fund. Enterprise funds use the same basis of accounting (cash basis) as governmental fund activities; therefore, these statements will essentially match the information provided in statements for the Village as a whole. The Village uses enterprise funds to account for its water, sewer, utility improvements, and guaranteed deposits. The enterprise fund statements can be found on pages 19-20 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Village. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Village's own programs. The Village's fiduciary fund is an agency fund. The fiduciary fund statement can be found on page 21 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-37 of this report.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Government-Wide Financial Analysis

Recall that the Statement of Net Assets - Cash Basis provides the perspective of the Village as a whole.

The table below provides a summary of the Village's net cash assets for 2005. 2005 is the first year for cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

Net Cash Assets

	Governmental Activities 2005	Business-type Activities 2005	2005 Total
	<u>2005</u>	<u>2005</u>	<u>Total</u>
<u>Assets</u>			
Equity in pooled cash and cash equivalents	\$ 427,656	\$ 83,225	\$ 510,881
Total assets	<u>427,656</u>	<u>83,225</u>	<u>510,881</u>
<u>Net Assets</u>			
Restricted for:			
Capital Projects	47,023	-	47,023
Other Purposes	48,955	-	48,955
Unrestricted	<u>331,678</u>	<u>83,225</u>	<u>414,903</u>
Total net assets	<u>\$ 427,656</u>	<u>\$ 83,225</u>	<u>\$ 510,881</u>

The total net cash assets of the Village increased \$188,773. Net cash assets of governmental activities increased \$183,595, which represents a 75.23% increase over fiscal year 2004. Net cash assets of business-type activities increased \$5,178 or 6.63% from fiscal year 2004.

The balance of governmental activities unrestricted net cash assets of \$331,678 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the change in net assets for fiscal years 2005. 2005 is the first year for cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Change in Net Cash Assets

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>
Cash Receipts:			
Program cash receipts:			
Charges for services and sales	\$ 201,733	\$ 295,086	\$ 496,819
Operating grants and contributions	<u>102,190</u>	<u>-</u>	<u>102,190</u>
Total program cash receipts	<u>303,923</u>	<u>295,086</u>	<u>599,009</u>
General cash receipts:			
Property and other taxes	49,375	-	49,375
Income tax	213,215	-	213,215
Unrestricted grants	118,783	-	118,783
Sale of notes	546,827	-	546,827
Investment earnings	4,830	344	5,174
Other	<u>19,323</u>	<u>6,000</u>	<u>25,323</u>
Total general cash receipts	<u>952,353</u>	<u>6,344</u>	<u>958,697</u>
Total cash receipts	<u>1,256,276</u>	<u>301,430</u>	<u>1,557,706</u>
Cash Disbursements:			
Security of persons and property	692,711	-	692,711
Public health services	15,792	-	15,792
Leisure time activities	35,655	-	35,655
Community environment	1,650	-	1,650
General government	158,393	-	158,393
Basic utility services	9,286	-	9,286
Transportation	66,605	-	66,605
Capital outlay	40,797	-	40,797
Debt service	88,693	-	88,693
Water	-	95,344	95,344
Sewer	-	133,635	133,635
Utility improvement	-	26,753	26,753
Guaranteed deposits	<u>-</u>	<u>3,619</u>	<u>3,619</u>
Total cash disbursements	<u>1,109,582</u>	<u>259,351</u>	<u>1,368,933</u>
Increase in net assets before advances and transfers	146,694	42,079	188,773
Advances	73,900	(73,900)	-
Transfers	<u>(36,999)</u>	<u>36,999</u>	<u>-</u>
Change in net cash assets	183,595	5,178	188,773
Net cash assets at beginning of year	<u>244,061</u>	<u>78,047</u>	<u>322,108</u>
Net cash assets at end of year	<u>\$ 427,656</u>	<u>\$ 83,225</u>	<u>\$ 510,881</u>

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Governmental Activities

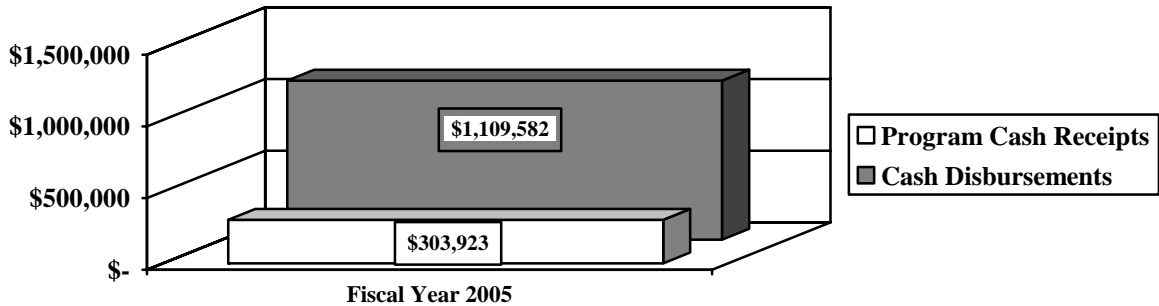
Governmental cash assets increased by \$183,595 in 2005 from 2004.

General government represents activities related to the governing body as well as activities that directly support Village programs. In 2005, general government cash disbursements totaled \$158,393, or 14.28% of total governmental cash disbursements. General government programs were supported by \$12 in direct charges to users for services.

The Village program, security of persons and property, accounted for \$692,711 or 62.43% of total governmental cash disbursements. Security of persons and property programs were supported by \$165,710 in direct charges to users for services.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005. That is, it identifies the cost of these services supported by tax receipts and unrestricted state grants and entitlements.

Governmental Activities - Program Cash Receipts vs. Total Cash Disbursements



**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

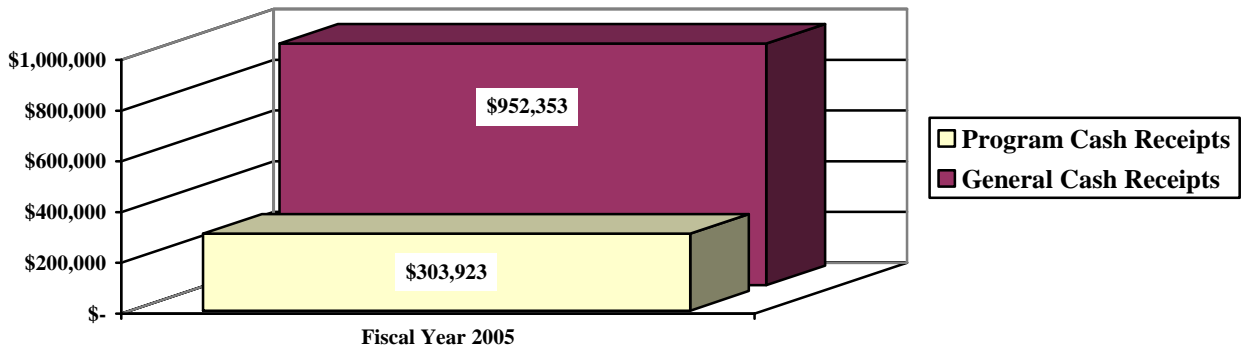
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2005. 2005 is the first year for cash basis government-wide financial statements; therefore, a comparison with prior years is not available.

Governmental Activities		
	Total Cost of Services 2005	Net Cost of Services 2005
Cash disbursements:		
Current:		
Security of persons and property	\$ 692,711	\$ 527,001
Public health services	15,792	5,392
Leisure time activities	35,655	10,044
Community environment	1,650	1,650
General government	158,393	158,381
Basic utility services	9,286	(27,713)
Transportation	66,605	16,092
Capital outlay	40,797	26,119
Debt service:		
Principal retirement	82,939	82,939
Interest and fiscal charges	5,754	5,754
Total	\$ 1,109,582	\$ 805,659

The dependence upon general cash receipts for governmental activities is apparent; with 72.78% of cash disbursements supported through taxes and other general cash receipts during 2005. The following graph below presents the Village's governmental activities receipts for 2005:

Governmental Activities - General and Program Cash Receipts



Business-Type Activities

The Water and Sewer funds are the Village's two major enterprise funds. These programs had cash receipts of \$333,435 and cash disbursements of \$337,879 for fiscal year 2005. The net cash assets of the programs decreased \$4,444 from 2004.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Financial Analysis of the Government's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The Village's governmental funds are accounted for using the cash basis of accounting.

The Village's governmental funds reported a combined fund cash balance of \$427,656, which is \$183,595 above last year's total of \$244,061. The schedule below indicates the fund cash balance and the total change in fund cash balance as of December 31, 2005 and December 31, 2004, for all major and nonmajor governmental funds.

	<u>Fund Cash Balance</u> <u>December 31, 2005</u>	<u>Fund Cash Balance</u> <u>December 31, 2004</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 331,678	\$ 126,795	\$ 204,883
Major Capital Project Fire Department	41,381	-	41,381
Other Nonmajor Governmental Funds	<u>54,597</u>	<u>117,266</u>	<u>(62,669)</u>
Total	<u>\$ 427,656</u>	<u>\$ 244,061</u>	<u>\$ 183,595</u>

General Fund

The general fund had cash receipts of \$602,901 in 2005. The cash disbursements of the general fund, totaled \$426,333 in 2005. Other financing sources and uses of the general fund totaled \$73,982 and \$45,667 respectively in 2005. The general fund's cash balance increased \$204,883 from 2004 to 2005.

The table that follows assists in illustrating the cash receipts of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Receipts:</u>			
Taxes	\$ 262,590	\$ 263,026	(0.17) %
Intergovernmental	117,004	67,790	72.60 %
Charges for services	199,856	75,039	166.34 %
Fines, licenses and permits	1,779	3,426	(48.07) %
Investment income	4,599	2,947	56.06 %
Other	<u>17,073</u>	<u>5,584</u>	205.75 %
Total	<u>\$ 602,901</u>	<u>\$ 417,812</u>	44.30 %

Investment income cash receipts increased due to higher interest earning investments and due to the timing of the maturity of certain certificates of deposit. Intergovernmental revenue increased due to an increase in money that was received from inheritance tax. Fines, licenses and permits decreased due to a decrease in cable franchise fees, and charges for services increased due to charges for decorative lights and increased Fire contracts. All other revenue remained comparable to 2004.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

The table that follows assists in illustrating the expenditures of the general fund.

	<u>2005</u> <u>Amount</u>	<u>2004</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Cash Disbursements</u>			
Security of persons and property	\$ 187,265	\$ 242,265	(22.70) %
Public health service	15,792	3,999	294.90 %
Leisure time activity	35,655	5,804	514.32 %
Community environment	1,650	2,150	(23.26) %
General government	158,393	134,481	17.78 %
Capital outlay	<u>27,578</u>	<u>79,414</u>	(65.27) %
Total	<u>\$ 426,333</u>	<u>\$ 468,113</u>	(8.93) %

Security of persons and property decreased due to patrol cars purchased in prior year.

Capital outlay expenditures decreased due to a decrease in capital asset acquisitions during the year. Overall, cash disbursements decreased \$41,780 from 2004.

Capital Improvement Fire Department Fund

The capital improvement fire department fund, a Village major fund, had cash receipts from other financing sources of \$546,827 in 2005. The capital improvement fire department fund had cash disbursements of \$505,446 in 2005. The capital improvement fire department fund cash balance increased \$41,381 from 2004 to 2005.

Budgeting Highlights - General Fund

The Village's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

For the general fund, actual cash receipts and other financing sources of \$676,883 were greater than final budget estimates by \$124,735. The actual budgetary basis disbursements and other financing disbursements of \$472,000 were \$187,450 less than final budget estimates.

Capital Assets and Debt Administration

Capital Assets

The Village does not record capital assets in the accompanying cash basis financial statements, but records payments for capital assets as disbursements. The Village had capital outlay disbursements of \$40,797 during fiscal year 2005.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
UNAUDITED

Debt Administration

The Village had the following long-term obligations outstanding at December 31, 2005 and 2004:

	Business Type Activities <u>2005</u>	Business Type Activities <u>2004</u>
2004 Backhoe note	\$ 35,776	\$ 43,715
2005 Firehouse notes	491,827	-
2002 Firehouse promissory note	<u>-</u>	<u>20,000</u>
Total long-term obligations	<u>\$ 527,603</u>	<u>\$ 63,715</u>

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2005:

State funding is uncertain due to budgetary shortfalls at the State level. It appears Local Government Revenue and Local Government Revenue Assistance Funds may be cut by 10% in the next biennial State budget. Municipal Income Tax and property tax revenues are expected to remain consistent as well as expenditures for fiscal year 2006.

The Village's Administration is currently trying to build up reserves in our utility funds for our Wastewater Treatment Plan Expansion project that has been in the planning stages for the last few years. The Village has plans to enter into new debt of about \$450,000 toward the end of 2006 to help with this project.

Despite the uncertainty of our Local Government Revenue and Local Government Revenue Assistance Funds, our income tax seems to be consistent.

Our Village's financial position is anticipated to remain stable as we continue our conservative financial management.

Contacting the Village's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Larry Kitts, Clerk/Treasurer, Village of Beverly 609 Mitchell Avenue, Beverly, Ohio, 45715.

**CASH BASIS
FINANCIAL STATEMENTS**

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 427,656	\$ 83,225	\$ 510,881
Total assets.	<u>427,656</u>	<u>83,225</u>	<u>510,881</u>
Net assets:			
Restricted for:			
Other purposes	48,955	-	48,955
Capital projects	47,023	-	47,023
Unrestricted	<u>331,678</u>	<u>83,225</u>	<u>414,903</u>
Total net assets	<u>\$ 427,656</u>	<u>\$ 83,225</u>	<u>\$ 510,881</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts		
	Cash Disbursements	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Security of persons and property	\$ 692,711	\$ 165,710	\$ -
Public health services	15,792	10,400	-
Leisure time activities	35,655	25,611	-
Community Environment.	1,650	-	-
General government.	158,393	12	-
Basic Utility Services	9,286	-	36,999
Transportation	66,605	-	50,513
Capital outlay.	40,797	-	14,678
Debt service:			
Principal retirement.	82,939	-	-
Interest and fiscal charges	5,754	-	-
Total governmental activities	<u>1,109,582</u>	<u>201,733</u>	<u>102,190</u>
Business-Type activities:			
Water	95,344	110,978	-
Sewer	133,635	150,114	-
Other enterprise funds:			
Utility improvement fund	26,753	33,994	-
Guaranteed deposits fund	3,619	-	-
Total business-type activities	<u>259,351</u>	<u>295,086</u>	<u>-</u>
Totals	<u>\$ 1,368,933</u>	<u>\$ 496,819</u>	<u>\$ 102,190</u>

General Cash Receipts, Advances, and Transfers:

Property and other taxes levied for:
General purposes
Income taxes
Grants and entitlements not restricted to specific programs. . .
Sale of notes
Investment receipts
Miscellaneous
Total general cash receipts.
Advances.
Transfers.
Total general cash receipts, advances and transfers
Change in net cash assets
Net cash assets at beginning of year.
Net cash assets at end of year

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets

Governmental Activities	Business-type Activities	Total
\$ (527,001)	\$ -	\$ (527,001)
(5,392)	-	(5,392)
(10,044)	-	(10,044)
(1,650)	-	(1,650)
(158,381)	-	(158,381)
27,713	-	27,713
(16,092)	-	(16,092)
(26,119)	-	(26,119)
(82,939)	-	(82,939)
(5,754)	-	(5,754)
(805,659)	-	(805,659)
-	15,634	15,634
-	16,479	16,479
-	7,241	7,241
-	(3,619)	(3,619)
-	35,735	35,735
(805,659)	35,735	(769,924)
49,375	-	49,375
213,215	-	213,215
118,783	-	118,783
546,827	-	546,827
4,830	344	5,174
19,323	6,000	25,323
952,353	6,344	958,697
73,900	(73,900)	-
(36,999)	36,999	-
989,254	(30,557)	958,697
183,595	5,178	188,773
244,061	78,047	322,108
\$ 427,656	\$ 83,225	\$ 510,881

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF ASSETS AND FUND BALANCES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Capital Improvement Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash assets:				
Equity in pooled cash and cash equivalents	331,678	41,381	54,597	427,656
Total assets	<u>\$ 331,678</u>	<u>\$ 41,381</u>	<u>\$ 54,597</u>	<u>\$ 427,656</u>
Fund cash balances:				
Unreserved, undesignated, reported in:				
General fund.	331,678	-	-	331,678
Special revenue funds	-	-	48,589	48,589
Capital projects funds	-	41,381	5,642	47,023
Debt service fund	-	-	366	366
Total fund cash balances	<u>\$ 331,678</u>	<u>\$ 41,381</u>	<u>\$ 54,597</u>	<u>\$ 427,656</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Capital Improvement Fire Department</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash receipts:				
Municipal income taxes	\$ 213,215	\$ -	\$ -	\$ 213,215
Property taxes and other local taxes	49,375	-	-	49,375
Intergovernmental	117,004	-	92,190	209,194
Charges for services	199,856	-	1,825	201,681
Fines, licenses and permits.	1,779	-	52	1,831
Interest.	4,599	-	231	4,830
Contributions and donations	-	-	10,000	10,000
Other.	17,073	-	2,250	19,323
Total cash receipts	<u>602,901</u>	<u>-</u>	<u>106,548</u>	<u>709,449</u>
Cash disbursements:				
Current:				
Security of persons and property	187,265	505,446	-	692,711
Public health services	15,792	-	-	15,792
Leisure time activities	35,655	-	-	35,655
Community environment.	1,650	-	-	1,650
Basic utility services	-	-	9,286	9,286
Transportation	-	-	66,605	66,605
General government	158,393	-	-	158,393
Capital outlay	27,578	-	13,219	40,797
Debt service:				
Principal retirement	-	-	82,939	82,939
Interest and fiscal charges	-	-	5,754	5,754
Total cash disbursements	<u>426,333</u>	<u>505,446</u>	<u>177,803</u>	<u>1,109,582</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>176,568</u>	<u>(505,446)</u>	<u>(71,255)</u>	<u>(400,133)</u>
Other financing sources (uses):				
Sale of notes	-	546,827	-	546,827
Advances in	73,900	-	-	73,900
Transfers in.	82	-	45,667	45,749
Transfers out	(45,667)	-	(37,081)	(82,748)
Total other financing sources (uses).	<u>28,315</u>	<u>546,827</u>	<u>8,586</u>	<u>583,728</u>
Net change in fund cash balances	204,883	41,381	(62,669)	183,595
Cash basis balances				
at beginning of year (restated)	126,795	-	117,266	244,061
at end of year	<u>\$ 331,678</u>	<u>\$ 41,381</u>	<u>\$ 54,597</u>	<u>\$ 427,656</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary basis receipts:				
Municipal Income Taxes	\$ 194,092	\$ 195,266	\$ 213,215	\$ 17,949
Property and Other Local Taxes	44,947	45,219	49,375	4,156
Intergovernmental.	106,510	107,154	117,004	9,850
Charges for services	181,930	183,032	199,856	16,824
Fines, licenses and permits	1,619	1,629	1,779	150
Interest	4,187	4,212	4,599	387
Other	15,542	15,636	17,073	1,437
Total budgetary basis receipts	548,827	552,148	602,901	50,753
Budgetary basis disbursements:				
Current:				
Security of persons and property	278,550	281,050	187,265	93,785
Public health services.	13,850	16,250	15,792	458
Leisure time activities	42,350	47,350	35,655	11,695
Community environment.	5,000	5,000	1,650	3,350
General government	176,000	180,800	158,393	22,407
Capital outlay	22,000	29,000	27,578	1,422
Total budgetary basis disbursements.	537,750	559,450	426,333	133,117
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements.	11,077	(7,302)	176,568	183,870
Other financing uses:				
Transfers in.	-	-	82	82
Transfers out	(100,000)	(100,000)	(45,667)	54,333
Advances in	-	-	73,900	73,900
Total other financing uses	(100,000)	(100,000)	28,315	128,315
Net change in fund cash balance	(88,923)	(107,302)	204,883	312,185
Cash basis balance at beginning of year	126,795	126,795	126,795	-
Cash basis balance at end of year.	\$ 37,872	\$ 19,493	\$ 331,678	\$ 312,185

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
ENTERPRISE FUNDS
DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Cash Assets:				
Equity in pooled cash and cash equivalents.	\$ 21,913	\$ 29,353	\$ 31,959	\$ 83,225
Total cash assets	21,913	29,353	31,959	83,225
Net cash assets:				
Unrestricted.	21,913	29,353	31,959	83,225
Total net cash assets.	\$ 21,913	\$ 29,353	\$ 31,959	\$ 83,225

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN NET CASH ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Other Enterprise	Total
Operating cash receipts:				
Charges for services	\$ 110,978	\$ 150,114	\$ 33,994	\$ 295,086
Other operating cash receipts	-	-	6,000	6,000
Total operating cash receipts	<u>110,978</u>	<u>150,114</u>	<u>39,994</u>	<u>301,086</u>
Operating cash disbursements:				
Personal services	38,734	53,875	-	92,609
Fringe benefits	18,210	23,954	-	42,164
Contractual services	16,451	32,807	-	49,258
Materials and supplies	19,512	18,301	-	37,813
Other	<u>2,437</u>	<u>4,698</u>	<u>30,372</u>	<u>37,507</u>
Total operating cash disbursements	<u>95,344</u>	<u>133,635</u>	<u>30,372</u>	<u>259,351</u>
Operating cash receipts over operating cash disbursements	<u>15,634</u>	<u>16,479</u>	<u>9,622</u>	<u>41,735</u>
Nonoperating cash receipts (disbursements):				
Earnings on Investment	344	-	-	344
Transfers in	-	36,999	-	36,999
Advances in	35,000	-	-	35,000
Advances out	<u>(47,900)</u>	<u>(61,000)</u>	<u>-</u>	<u>(108,900)</u>
Total nonoperating cash receipts (disbursements). . .	<u>(12,556)</u>	<u>(24,001)</u>	<u>-</u>	<u>(36,557)</u>
Changes in net cash assets.	3,078	(7,522)	9,622	5,178
Net cash assets at beginning of year (restated) . . .	<u>18,835</u>	<u>36,875</u>	<u>22,337</u>	<u>78,047</u>
Net cash assets at end of year	<u>\$ 21,913</u>	<u>\$ 29,353</u>	<u>\$ 31,959</u>	<u>\$ 83,225</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

STATEMENT OF CASH BASIS ASSETS AND NET CASH ASSETS
FIDUCIARY FUND
DECEMBER 31, 2005

	Fiduciary Fund
	Agency
Cash Assets:	
Equity in pooled cash and cash equivalents.	\$ 95
Total cash assets	95
Net cash assets:	
Unrestricted.	95
Total net cash assets.	\$ 95

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note 1 – Reporting Entity

The Village of Beverly, Washington County, Ohio, is a body politic and corporate 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 six-member Council elected at large for four year terms. The Mayor is elected to a four-year term, serves as the President of Council and votes only to break a tie.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Village. The Village provides general government services, water and sewer utilities, maintenance of Village roads and bridges, park operations, and police services. The Village entered into a contract with Waterford Township and the 984 extension of Jackson Township in Noble County for providing fire protection for the amount provided by tax levy revenues.

B. Component Units

There are no component organizations for which the Village is financially accountable.

C. Joint Ventures

The Village of Beverly participated with the City of Belpre and the Village of Lowell in a Cooperative Street Paving Contract in 2005 using grant money from OPWC and matching funds.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Village does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. Following are the more significant of the Village's accounting policies.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

A. Basis of Presentation

The Village's financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Statement of Activities - Cash Basis - This statement displays information about the Village as a whole, except for fiduciary funds. The statement distinguishes between those activities of the Village that are governmental and those that are considered business-type activities.

The government-wide statement of activities - cash basis compares disbursements with program receipts for each segment of the business-type activities of the Village and for each function or program of the Village's governmental activities. These disbursements are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Receipts which are not classified as program receipts are presented as general receipts of the Village. The comparison of direct disbursements with program receipts identifies the extent to which each business segment or governmental function is self-financing on the cash basis or draws from the general receipts of the Village.

B. Fund Financial Statements

Fund Accounting – The Village uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Village are divided into three categories, governmental, proprietary and fiduciary.

Fund Financial Statements - Fund financial statements report detailed information about the Village. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

Proprietary funds distinguish operating transactions from nonoperating transactions. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating transactions of the Village's proprietary funds are charges for sales and services, and include personnel and other disbursements related to the operations of the enterprise activity. All other receipts and disbursements not meeting these definitions are reported as nonoperating transactions.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Governmental Funds

The Village classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Village's major governmental funds are the General Fund and the Capital Improvement Fire Department Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio. The other governmental funds of the Village account for grants and other resources whose use is restricted to a particular purpose. The following are the Village's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Village except those required to be accounted for in another fund. The general fund balance is available to the Village for any purpose provided it is expended or transferred according to the general laws of Ohio.

Capital Improvement Fire Department - This fund accounts for all transactions relating to the construction of the Village's new fire department.

Proprietary Funds

The Village classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the Village is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Village had the following major enterprise funds:

Water Fund - The water fund accounts for the provision of water to the residents and commercial users located within the Village.

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the Village.

Internal Service Fund - The Village has no internal service funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Village's own programs. The Village does not have any Trust funds. Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Village's only agency fund is the Mayor's Court account.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

C. Basis of Accounting

The Village's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Village's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Village are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Village Council may appropriate.

The appropriations ordinance is the Village Council's authorization to spend resources and sets limits on cash disbursements plus encumbrances at the level of control selected by the Village Council. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Village Clerk/Treasurer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Village Council.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Village Council during the year.

E. Cash and Investments

To improve cash management, cash received by the Village is pooled and invested. Individual fund integrity is maintained through Village records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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 negative receipts (contra revenue), respectively.

During 2005, the Village invested in nonnegotiable certificates of deposit.

Interest earnings are allocated to Village funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$4,599 which includes \$1,299 assigned from other Village funds.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

G. Inventory and Prepaid Items

The Village reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Interfund Receivables/Payables

The Village reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Village recognizes the disbursement for the employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

L. Long-Term Obligations

The Village's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for capital projects include resources restricted for Capital Improvements to the Community Swimming Pool donations, Capital Improvement Fire Department loan proceeds, and Capital Improvements OPWC grant proceeds. Net assets restricted for other purposes include resources restricted for Street Construction, Maintenance and Repair, State Highway, Cemetery, Permissive Tax, Law Enforcement, and Debt Services.

The Village's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Village reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Fund balances from fire contract services are transferred to the Fire Department Note Retirement Fund. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

P. Extraordinary and Special Items

The Village has no extraordinary items or transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The Village had no special items in 2005.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

Beginning in 2005, the Village has presented, for the first time, Financial Statements prepared in a format consistent with GASB Statement No. 34 cash basis (See Note 2). In conjunction with this presentation change, the Village has reported certain fund reclassifications to properly present the funds consistent with GASB Statement No. 34. These reclassifications had the following affect on the fund balances previously reported by the governmental funds:

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash Balances 12/31/04	\$ 123,475	\$ 106,805	\$ 230,280
Reclassification of funds	<u>3,320</u>	<u>10,461</u>	<u>13,781</u>
Restated cash balances 1/1/05	<u>\$ 126,795</u>	<u>\$ 117,266</u>	<u>\$ 244,061</u>

The total restated cash balances at January 1, 2005 equals the net cash assets at the beginning of the year for the governmental activities as reported on the Statement of Activities for the year ended December 31, 2005.

The fund reclassifications had the following affect on the net assets of the enterprise funds as previously reported:

	<u>Water</u>	<u>Sewer</u>	<u>Nonmajor</u>	<u>Total</u>
Cash basis net assets at December 31, 2004	\$ 18,835	\$ 36,875	\$ 22,828	\$ 78,538
Reclassification of funds	<u>-</u>	<u>-</u>	<u>(491)</u>	<u>(491)</u>
Restated cash basis net assets at January 1, 2005	<u>\$ 18,835</u>	<u>\$ 36,875</u>	<u>\$ 22,337</u>	<u>\$ 78,047</u>

The total restated cash basis net assets at January 1, 2005 equals the net cash assets at beginning of year for the business-type activities as reported on the statement of activities for the year ended December 31, 2005.

The fund reclassifications had the following affect on the net assets of the private purpose trust fund as previously reported:

	<u>Cemetery Trust</u>
Cash basis net assests at December 31, 2004	\$ 13,290
Reclassification of funds	<u>(13,290)</u>
Restated cash basis net assets at January 1, 2005	<u>\$ -</u>

Note 4 – Compliance and Accountability

Ohio Revised Code Section 5705.10 states that money paid into a fund must be used for the purpose for which such fund has been established. As a result a negative fund balance indicates that money from one fund was used to cover the expense of another fund. A negative fund balance was noted in the Wellfield Construction Fund of \$4,608. The deficit in the Wellfield Construction Fund will be eliminated when reimbursed by the OPWC.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances and are treated as cash disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). Also, outstanding year end advances are treated as another financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no outstanding encumbrances at year end.

Note 6 – Deposits and Investments

Monies held by the Village are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Village treasury. Active monies must be maintained either as cash in the Village treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Village can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Village's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Village by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Village, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Village or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At December 31, 2005, the carrying amount of all Village deposits was \$510,976. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2005, \$448,153 of the Village's bank balance of \$548,153 was exposed to custodial risk as discussed below, while \$100,000 was covered by Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the Village's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Village.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Investments

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Village's investment policy addresses interest rate risk by requiring that the Village's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Note 7 – Income Taxes

The Village levies a one percent income tax whose proceeds are placed into the General Fund. The Village levies and collects the tax on all income earned within the Village as well as on incomes of residents earned outside the Village. In the latter case, the Village allows a credit of the lesser of actual taxes paid to another city or one percent of the one percent tax rate on taxable income. Employers within the Village are required to withhold income tax on employee earnings and remit the tax to the Village at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. The Village collected \$213,215 in income tax receipts which are received directly into the General Fund.

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Village. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The full tax rate for all Village operations for the year ended December 31, 2005, was \$3.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$9,259,120
Agriculture	1,730
Commercial/Industrial/Mineral	4,483,700
Public Utility Property	
Real	
Personal	516,310
Tangible Personal Property	1,089,330
Total Assessed Value	<u>\$15,350,190</u>

Note 9 – Capital Assets

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

Note 10 – Risk Management

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated tax exempt non-profit organization, governed by its member municipalities. The Pool is sponsored by the Ohio Municipal League and is administered and operated by JWF Specialty Company. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2005 generally protect against individual losses exceeding \$5,000.

Property coverage contracts protect against losses, subject to a deductible of \$5,000, limited to an annual aggregate loss of \$5,000.

The Village entered into a participation agreement with the Pool which provides for additional assessments to its members if contributions are insufficient to meet its obligations.

Medical Mutual of Ohio is the Village health care insurance provider.

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

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note 11 – Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System

The Village participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Village's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Village's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Village's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$27,092, \$26,569, and \$26,585 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$27,092 made by the Village and \$16,381 made by the plan members.

B. Ohio Police and Fire Pension Fund

The Village contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Village is required to contribute 11.75 percent for police officers. Contributions are authorized by State statute. The Village's required contributions to the Fund for the years ended December 31, 2005, 2004, and 2003 were \$13,513, \$15,857, and \$15,362. The full amount has been contributed for 2005, 2004 and 2003.

Note 12 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was \$376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$7,998. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2004, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis. The total police employer contribution rate is 19.5 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2004 and 2003. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Village's actual contributions for 2005 that were used to fund postemployment benefits were \$5,370 for police. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341.

The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 13,812 for police and 10,528 for firefighters.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

Note 13 – Debt Obligations

At December 31, 2005, debt obligations consisted of the following issuances:

<u>Debt Service Fund:</u>	<u>Balance at 12/31/2005</u>
2004 note for the purpose of purchasing equipment, due in annual installments of \$10,000 bearing interest of 4.65% due in 2009.	\$ 35,776
2005 note for the purpose of financing the construction of the firehouse in 2005, due in one payment, bearing no interest, in 2007.	50,000
2005 note for the purpose of financing the construction of the firehouse in 2005, due in monthly installments of \$4,992 bearing interest of 3.7% due in 2015. However, the Village is making additional payments and as a result, the loan may be repaid earlier.	<u>441,827</u>
Balance at December 31, 2005	<u>\$ 527,603</u>

	<u>Fund Type</u>	<u>Balance 12/31/04</u>	<u>Proceeds</u>	<u>Payments</u>	<u>Balance 12/31/2005</u>	<u>Amounts Due in One Year</u>
2004 Backhoe note	Debt Service	\$ 43,715	\$ -	\$ (7,939)	\$ 35,776	\$ 8,338
2002 Firehouse property	Debt Service	20,000	-	(20,000)	-	-
2005 Firehouse note	Debt Service	-	496,827	(55,000)	441,827	42,509
2005 Firehouse note	Debt Service	-	50,000	-	50,000	-
Total All Funds		<u>\$ 63,715</u>	<u>\$ 546,827</u>	<u>\$ (82,939)</u>	<u>\$ 527,603</u>	<u>\$ 50,847</u>

<u>Year Ending December 31,</u>	<u>Backhoe Note</u>		<u>Firehouse Note (\$500,000)</u>		<u>Firehouse Note (\$50,000)</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 8,338	\$ 1,662	\$ 42,509	\$ 17,400	\$ -	\$ -
2007	8,725	1,275	44,109	15,800	50,000	-
2008	9,131	869	45,768	14,140	-	-
2009	9,582	418	47,491	12,417	-	-
2010	-	-	49,278	10,630	-	-
2011-2014	-	-	215,845	15,828	-	-
Totals	<u>\$ 35,776</u>	<u>\$ 4,224</u>	<u>\$ 445,000</u>	<u>\$ 86,215</u>	<u>\$ 50,000</u>	<u>\$ -</u>

<u>Year Ending December 31,</u>	<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 50,847	\$ 19,062
2007	102,834	17,075
2008	54,899	15,009
2009	57,073	12,835
2010	49,278	10,630
2011-2014	215,845	15,828
Totals	<u>\$ 530,776</u>	<u>\$ 90,439</u>

The final disbursement of \$3,173 on the \$500,000 2005 Firehouse note was received in January 2006. The above amortization schedule represents the full \$500,000 loan.

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

The Ohio Revised Code provides that net general obligation debt of the Village, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Village. The Revised Code further provides that total voted and unvoted net debt of the Village less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2005, were an overall debt margin of \$318,138 and an unvoted debt margin of \$1,085,747.

Note 14 – Leases

The Village leases no buildings, vehicles and other equipment under noncancelable leases.

Note 15 – Interfund Transactions

The following is a summarized breakdown of the Village’s operating transfers and advances for 2005:

	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Advances In</u>	<u>Advances Out</u>
General Fund	\$ 82	\$ 45,667	\$ 73,900	\$ -
<u>Special Revenue Fund:</u>				
FEMA	-	36,999	-	-
<u>Capital Projects Fund:</u>				
Basketball and Tennis Courts	-	82	-	-
<u>Debt Service Fund:</u>				
General Obligation Debt Service	45,667	-	-	-
<u>Enterprise Funds:</u>				
Water	-	-	35,000	47,900
Sewer	36,999	-	-	61,000
	<u>\$ 82,748</u>	<u>\$ 82,748</u>	<u>\$ 108,900</u>	<u>\$ 108,900</u>

The transfers in the year ended December 31, 2005 were made in accordance with Ohio Revised Code Section 5705.14, 5705.15 and 5705.16. The Village’s only outstanding advance at year end was \$35,000 to the water fund from the sewer fund.

Note 16 – Construction and Contractual Commitments

The Village has a contract to drill a water well with Jamison Drilling.

Note 17 – Contingent Liabilities

The Village has no contingent Liabilities

Note 18 – Subsequent Events

In January of 2006, the Village made a payment of \$160,000 on the principal of the firehouse construction note.

Also in May of 2006, the Village entered into a contract with Astro Pools for the renovation of the Village’s swimming pool. The contract amount is for \$415,077.



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

Members of Council and Mayor
Village of Beverly
609 Mitchell Ave.
Beverly, Ohio 45715

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Beverly as of and for the year ended December 31, 2005, and have issued our report thereon dated June 26, 2006 wherein we noted the Village of Beverly prepared its financial statements on the cash basis, a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. As disclosed in Note 2 to the financial statements, the Village has presented a prior period adjustment to restate net assets at January 1, 2005 due to fund reclassifications. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Beverly's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Beverly's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-VOB-001. We also noted immaterial instances of noncompliance that we have reported to the management of the Village of Beverly in a separate letter dated June 26, 2006.

Members of Council and Mayor
Village of Beverly

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

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.
June 26, 2006

**VILLAGE OF BEVERLY
WASHINGTON COUNTY, OHIO
DECEMBER 31, 2005**

SCHEDULE OF FINDINGS

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2005-VOB-001

Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be expended only after such fund receives monies to cover expenditures.

It was noted during the audit that the Village maintained a negative cash fund balance throughout the year in the Capital Projects Wellfield Construction Fund.

By having a negative fund balance, the Village's fund has spent other funds' balances. The cause of this is due to spending funds not yet received from the OPWC without advancing or transferring available funds temporarily to cover costs. No fund should have a negative cash fund balance throughout the year or at year end.

We recommend that the Village properly expend monies only after funds have been received and subsequent to proper appropriation. If funds are anticipated, but not yet received and expenditures are necessary, the Village should advance or transfer funds from the General Fund with proper Council approval. We recommend the Village utilize its accounting software program to its fullest and continually review relevant reports to assist in not having funds with negative fund balances.

Client Response: The village will monitor related expenditures more closely and use transfers and advances when necessary.



**Auditor of State
Betty Montgomery**

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Facsimile 614-466-4490

VILLAGE OF BEVERLY

WASHINGTON 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 14, 2006**