



Dave Yost • Auditor of State

VILLAGE OF BEAVERDAM
ALLEN COUNTY

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Dave Yost • Auditor of State

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

To the Members of Council:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

November 19, 2012

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Village of Beaverdam
Allen County
101 West Main Street
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 years ended December 31, 2011 and 2010. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Village's larger (i.e. major) funds separately. While the Village does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require villages to reformat their statements. The Village has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2011 and 2010 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Village as of December 31, 2011 and 2010 or its changes in financial position or cash flows, for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances as of December 31, 2011 and 2010 and the reserves for encumbrances as of December 31, 2010 of the Village of Beaverdam, Allen County, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

As described in Note 1F, during 2011 the Village of Beaverdam adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As described in Note 9, the December 31, 2009 fund balances have been restated.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2012, on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Dave Yost
Auditor of State

November 19, 2012

**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, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Taxes	\$17,706			\$17,706
Municipal Income Tax	221,965			221,965
Intergovernmental	21,417	\$22,316		43,733
Charges for Services	280			280
Fines, Licenses and Permits	10,536			10,536
Earnings on Investments	2,054	191		2,245
Miscellaneous	4,376	964		5,340
Total Cash Receipts	<u>278,334</u>	<u>23,471</u>		<u>301,805</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	11,154			11,154
Leisure Time Activities	428			428
Transportation		24,887		24,887
General Government	38,533			38,533
Capital Outlay	5,222			5,222
Total Cash Disbursements	<u>55,337</u>	<u>24,887</u>		<u>80,224</u>
Excess of Receipts Over (Under) Disbursements	<u>222,997</u>	<u>(1,416)</u>		<u>221,581</u>
Other Financing Receipts (Disbursements):				
Transfers In		500		500
Transfers Out	(500)			(500)
Other Financing Sources	550			550
Other Financing Uses	(145)			(145)
Total Other Financing Receipts (Disbursements)	<u>(95)</u>	<u>500</u>		<u>405</u>
Net Change in Fund Cash Balances	222,902	(916)		221,986
Fund Cash Balances, January 1:	73,829	15,984	\$46,101	135,914
Fund Cash Balances, December 31:				
Restricted		13,909		13,909
Committed		1,159	46,101	47,260
Unassigned (Deficit)	296,731			296,731
Fund Cash Balances, December 31	<u>\$296,731</u>	<u>\$15,068</u>	<u>\$46,101</u>	<u>\$357,900</u>

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Cash Receipts:	
Charges for Services	<u>\$ 380,036</u>
Operating Cash Disbursements:	
Personal Services	83,628
Employee Fringe Benefits	26,590
Contractual Services	84,633
Supplies and Materials	8,927
Other	22,672
Total Operating Cash Disbursements	<u>226,450</u>
Operating Income	<u>153,586</u>
Non-Operating Receipts (Disbursements):	
Earnings on Investments	41
Sale of Capital Assets	4,007
Capital Outlay	(12,953)
Principal Retirement	(44,008)
Interest and Other Fiscal Charges	<u>(9,380)</u>
Total Non-Operating Receipts (Disbursements)	<u>(62,293)</u>
Net Change in Fund Cash Balance	91,293
Fund Cash Balances, January 1	<u>264,466</u>
Fund Cash Balances, December 31	<u><u>\$355,759</u></u>

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

**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, 2010**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Taxes	\$17,819			\$17,819
Municipal Income Tax	48,748			48,748
Intergovernmental	22,664	\$25,782	\$12,524	60,970
Charges for Services	121	500		621
Fines, Licenses and Permits	5,326			5,326
Earnings on Investments	2,970			2,970
Miscellaneous	4,103			4,103
Total Cash Receipts	<u>101,751</u>	<u>26,282</u>	<u>12,524</u>	<u>140,557</u>
Cash Disbursements:				
Current:				
Security of Persons & Property	15,384			15,384
Leisure Time Activities	1,825			1,825
Transportation		24,274		24,274
General Government	60,462			60,462
Capital Outlay	3,055	67	20,845	23,967
Total Cash Disbursements	<u>80,726</u>	<u>24,341</u>	<u>20,845</u>	<u>125,912</u>
Excess of Receipts Over (Under) Disbursements	<u>21,025</u>	<u>1,941</u>	<u>(8,321)</u>	<u>14,645</u>
Other Financing Receipts (Disbursements):				
Sale of Fixed Assets	5,600			5,600
Other Financing Sources	1,008			1,008
Other Financing Uses	(542)			(542)
Total Other Financing Receipts (Disbursements)	<u>6,066</u>			<u>6,066</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements	27,091	1,941	(8,321)	20,711
Fund Cash Balances, January 1 (Restated - See Note 9)	<u>46,738</u>	<u>14,043</u>	<u>54,422</u>	<u>115,203</u>
Fund Cash Balances, December 31	<u>73,829</u>	<u>15,984</u>	<u>46,101</u>	<u>135,914</u>
Reserve for Encumbrances, December 31	<u>\$278</u>	<u>\$0</u>	<u>\$0</u>	<u>\$278</u>

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS
AND CHANGES IN FUND CASH BALANCES - ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Operating Cash Receipts:	
Charges for Services	<u>\$ 298,993</u>
Operating Cash Disbursements:	
Personal Services	81,936
Employee Fringe Benefits	23,246
Contractual Services	70,821
Supplies and Materials	24,780
Other	35,134
Total Operating Cash Disbursements	<u>235,917</u>
Operating Income	<u>63,076</u>
Non-Operating Receipts (Disbursements):	
Miscellaneous	4,060
Capital Outlay	(16,870)
Principal Retirement	(25,331)
Interest and Other Fiscal Charges	<u>(10,874)</u>
Total Non-Operating Receipts (Disbursements)	<u>(49,015)</u>
Net Change in Fund Cash Balance	14,061
Fund Cash Balances, January 1 (Restated - See Note 9)	<u>250,405</u>
Fund Cash Balances, December 31	<u><u>\$264,466</u></u>
Reserve for Encumbrances, December 31	<u><u>\$2,451</u></u>

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Village of Beaverdam, Allen County, (the Village) as a body corporate and politic. A publicly-elected six-member Council directs the Village. The Village provides general government services, including, water and sewer utilities, garbage and trash services, and street and highway maintenance. The Village contracts with the Allen County Sheriff's department to provide security of persons and property. Village residents volunteer their services to the Richland Township Fire and Emergency Medical Services who provide fire and ambulance services to Village Residents.

The Village participates in one jointly governed organization and the Ohio Plan Risk Management public entity risk pool. Notes 8 and 10 to the financial statements provides additional information for these entities. These organizations are:

Jointly Governed Organization:

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

Public Entity Risk Pool:

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

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

B. Accounting Basis

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

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

C. Deposits and Investments

The Village's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. The Village maintained money in demand deposits and certificates of deposit which are valued at cost.

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:

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from private-purpose trusts or for 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.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Project Fund:

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

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges. The Village had the following significant Enterprise Funds:

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

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

Garbage and Trash - This fund receives charges for services from residents to cover trash pickup cost.

E. Budgetary Process

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

1. Appropriations

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

VILLAGE OF BEAVERDAM
ALLEN COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated. The Village did not encumber all commitments required by Ohio law.

A summary of 2011 and 2010 budgetary activity appears in Note 3.

F. Fund Balance

For December 31, 2011, fund balance is divided into five classifications based primarily on the extent to which the Village must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Non-spendable

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

2. Restricted

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

3. Committed

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

4. Assigned

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

G. Property, Plant, and Equipment

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

H. Accumulated Leave

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

2. EQUITY IN POOLED DEPOSITS

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

	2011	2010
Demand deposits	\$633,937	\$321,941
Certificates of deposit	79,722	78,439
Total deposits	\$713,659	\$400,380

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2011 and 2010 follows:

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 93,907	\$278,884	\$184,977
Special Revenue	21,604	23,971	2,367
Capital Projects			
Enterprise	296,751	384,084	87,333
Total	\$412,262	\$686,939	\$274,677

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,780	\$ 55,982	\$ 91,798
Special Revenue	30,038	24,887	5,151
Capital Projects	33,577		33,577
Enterprise	489,164	292,791	196,373
Total	<u>\$700,559</u>	<u>\$373,660</u>	<u>\$326,899</u>

2010 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 54,314	\$ 108,359	\$ 54,045
Special Revenue	22,848	26,282	3,434
Capital Projects		12,524	12,524
Enterprise	272,500	303,053	30,553
Total	<u>\$349,662</u>	<u>\$450,218</u>	<u>\$100,556</u>

2010 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 94,206	\$ 81,546	\$ 12,660
Special Revenue	33,565	24,341	9,224
Capital Projects	54,422	20,845	33,577
Enterprise	515,965	291,443	224,522
Total	<u>\$698,158</u>	<u>\$418,175</u>	<u>\$279,983</u>

Some restricted receipts were recorded in the wrong fund which violated Ohio Rev. Code Section 5705.10(D). Income tax receipts were not recorded in the General Fund which violated Village of Beaverdam, Allen County, Ohio Income Tax Ordinance 2009-003. Utility customers were not charged the correct rates which violated Ordinances 2007-18 and 2007-43.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Council adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts.

Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

5. LOCAL INCOME TAX

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

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

6. DEBT

Debt outstanding at December 31, 2011 was as follows:

	Principal	Interest Rate
Sewer System First Mortgage Revenue Bonds	\$106,000	5%
Capital Lease - Truck	36,332	4%
Ohio Water Development Authority Loan	35,268	8.35%
Total	\$177,600	

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

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

The truck lease was entered into by the Village during 2010 to obtain a new dump truck. Lease payments are for a term of 5 years beginning in 2010.

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

	OWDA Loan	Mortgage Revenue Bonds	Capital Lease - Truck	Total
Year ending December 31:				
2012	\$16,268	\$ 21,300	\$12,951	\$ 50,519
2013	16,268	20,500	12,951	49,719
2014	8,134	20,700	12,951	41,785
2015		20,850		20,850
2016		20,950		20,950
2017-2021		21,000		21,000
Total	\$40,670	\$125,300	\$38,853	\$204,823

7. RETIREMENT SYSTEM

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

7. RETIREMENT SYSTEM (Continued)

The Ohio Revised Code also prescribes contribution rates. For 2011 and 2010, OPERS members contributed 10%, of their gross salaries and the Village contributed an amount equaling 14%, of participants' gross salaries. The Village has paid all contributions required through December 31, 2011.

8. RISK MANAGEMENT

Risk Pool Management

Prior to 2009, the Ohio Government Risk Management Plan (the "Plan"), a non-assessable, unincorporated, non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan was legally separate from its Members governments.

On January 1, 2009, through an internal reorganization, the Plan created three separate non-profit corporations including:

- **Ohio Plan Risk Management, Inc. (OPRM)** – formerly known as the Ohio Risk Management Plan;
- **Ohio Plan Healthcare Consortium, Inc. (OPHC)** – formerly known as the Ohio Risk Management Plan;
- **Ohio Plan, Inc.** – mirrors the oversight function previously performed by the Board of Directors. The Board of Trustees consists of eleven (11) members that include appointed and elected officials from member organizations.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobiles, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio. The Coverage programs, referred to as Ohio Plan Risk Management ("OPRM"), are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 40% (17.5% through October 31, 2010 and 15% through October 31, 2009) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 761 and 725 members as of December 31, 2010 and 2009 respectively. The Village participates in this coverage.

The Plan formed the Ohio Plan Healthcare Consortium ("OPHC"), as authorized by Section 9.833 of the Ohio Revised Code. The OPHC was established to provide cost effective employee benefit programs for Ohio political sub-divisions and is a self-funded, group purchasing consortium that offers medical, dental, vision and prescription drug coverage as well as life insurance for its members. The OPHC is sold through seventeen appointed independent agents in the State of Ohio. Coverage programs are developed specific to each member's healthcare needs and the related premiums for coverage are determined through the application of uniform underwriting criteria. Variable plan options are available to members. These plans vary primarily by deductibles, coinsurance levels, office visit co-pays and out-of pocket maximums. OPHC had 65 and 60 members as of December 31, 2010 and 2009 respectively. The Village does not participate in this coverage.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

8. RISK MANAGEMENT (Continued)

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

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

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2010 and 2009 (the latest information available), and include amounts for both OPRM and OPHC:

	2010		2009	
	OPRM	OPHC	OPRM	OPHC
Assets	\$12,036,541	\$1,355,131	\$11,176,186	\$1,358,802
Liabilities	(4,845,056)	(1,055,096)	(4,852,485)	(1,253,617)
Member's Equity	\$ 7,191,485	\$ 300,035	\$ 6,323,701	\$ 105,185

You can read the complete audited financial statements for OPRM and OPHC at the Plan's website, <http://www.ohioplan.org>.

9. RESTATEMENT OF PRIOR YEAR FUND CASH BALANCES

Fund cash balances were restated at December 31, 2009, to reimburse funds which incurred expenses related to the 2005 ice storm. The Village received FEMA funding, in the amount of \$5,479, to assist with the ice storm clean-up, but continued to hold the FEMA funding in the Special Revenue FEMA Fund rather than reimbursing the funds which had incurred the clean-up expenses related to the ice storm emergency. The FEMA funds should have been used to reimburse the funds in the following amounts: General Fund - \$224; Special Revenue Street Fund - \$1,709; Enterprise Water Fund - \$1,773; Enterprise Sewer Fund - \$1,773. The audit adjustments to reimburse the funds had the following effect on cash balances of each fund type as previously reported:

	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Total
Cash Balances:					
December 31, 2009	\$46,514	\$17,813	\$54,422	\$246,859	\$311,186
Restatement for:					
FEMA Reimbursements	224	(3,770)		3,546	
Restated Cash Balances:					
December 31, 2009	\$46,738	\$14,043	\$54,422	\$250,405	\$311,186

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011 AND 2010
(Continued)**

10. JOINTLY GOVERNED ORGANIZATION

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

11. SUBSEQUENT EVENT

The Village is in the planning stages of constructing a new town hall building and garage. They expect to obtain financing and begin construction on the project during 2013.

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Dave Yost • Auditor of State

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

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

To the Members of Council:

We have audited the financial statements of the Village of Beaverdam, Allen County, (the Village) as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated November 19, 2012, wherein we noted the Village followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America, adopted the provisions of Governmental Accounting Standards Board Statement No. 54 for the year ended December 31, 2011, and restated the December 31, 2009 fund balances. We also noted the Village processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Village because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code § 117.11(A) mandates the Auditor of State to audit Ohio governments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the Village's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Village's internal control over financial reporting.

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider findings 2011-01 and 2011-02 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Village's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-02 through 2011-04.

We also noted certain matters not requiring inclusion in this report that we reported to the Village's management in a separate letter dated November 19, 2012.

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

We intend this report solely for the information and use of management, Members of Council, and others within the Village. We intend it for no one other than these specified parties.



Dave Yost
Auditor of State

November 19, 2012

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2011 AND 2010**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2011-01

Material Weakness – Recording of Financial Activity

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

- In 2011, the Village recorded \$3,493 of General Fund intergovernmental revenue as tax revenue.
- Interest revenue earned during 2011 in the amount of \$126 was not recorded in the General fund.
- The 2011 fund balances of the Special Revenue Recreation Fund and Capital Projects Construction fund, in the amount of \$1,159 and \$46,101, respectively, were classified as Restricted and have been reclassified as committed fund balance, since the restrictions on each balance were imposed by Village legislation.
- In 2005, the Village received FEMA funds in the amount of \$5,479 as reimbursement of expenses the Village incurred during the 2005 ice storm. The Village properly recorded the FEMA funds in the Special Revenue FEMA fund. However, the Village failed to reimburse the funds which incurred the ice storm expenses and as of December 31, 2009, the entire balance remained in the FEMA fund. The December 31, 2009 fund balances were restated by \$1,709 for the Special Revenue Street Fund, \$224 for the General Fund, and \$1,773 each for the Enterprise Water and Sewer Funds to reimburse these funds for ice storm expenses incurred in 2005.
- In order to agree 2010 beginning balances in the UAN system to the 2009 audited ending balances, the General Fund beginning balance had to be decreased by \$4,943, the Special Revenue Fund balance had to be increased by \$4,986 and the Enterprise fund balance had to be increased by \$227. An additional adjustment in the amount of \$270 had to be made to remove a voided check from the General Fund in order to reconcile to prior period ending balances.
- Reclassification adjustments were made within the General Fund in 2010 to reclassify \$3,105 as intergovernmental revenue (recorded by Village as taxes) and to reclassify \$5,600 as sale of assets (recorded by Village as miscellaneous).

The accompanying financial statements and accounting records have been adjusted to correctly classify this financial activity and to report the correct fund balances. In addition, other insignificant classification errors were identified and presented to the Village but were not adjusted in the accompanying financial statements or accounting records.

The failure to correctly record revenues and expenditures may not only impact the users' understanding of the financial operations, it may also inhibit the Village Council and management's ability to make sound financial decisions as a result of erroneous records, may conceal illegal transactions, may impact the Village's ability to comply with budgetary laws, and may result in the material misstatement of the financial statements.

**FINDING NUMBER 2011-01
 (Continued)**

The Fiscal Officer should utilize resources such as the UAN Accounting Manual and other resources found on the Auditor of State website when recording financial transactions and preparing the annual financial statements. In addition to the monthly bank to book reconciliations and listing of bills to be paid, the Members of Council should also perform a periodic review of the financial records and financial statements, including monthly revenue, expenditure, fund balance and budget vs. actual reports, to help identify financial recording errors.

OFFICIALS' RESPONSE: Will work and try to fix this problem.

FINDING NUMBER 2011-02

Material Weakness / Noncompliance Citation

Ohio Rev. Code, Section 5705.10(D), requires that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. **Village of Beaverdam, Allen County, Ohio Income Tax Ordinance 2009-003** authorized a levy to provide funds for the purposes of general municipal operations, and the elimination of deficits in Village funds.

During 2011 and 2010, the Village recorded the following receipts in the wrong funds:

Year	Amount	Receipt Description	Fund Recorded in by the Village	Correct Fund
2011	\$150.	Sheriff Fines	FEMA	General
2010	48,748	Municipal Income Tax	Special Revenue Municipal Income Tax	General
2010	\$8,420	Intergovernmental	General	Construction
2010	\$4,104	Intergovernmental	Sewer	Construction
2010	\$1,813	Charges for Services	General	Sewer
2010	\$2,346	Charges for Services	General	Sewer

In 2011, the Village accounted for its Municipal Income Tax levy in the Special Revenue Municipal Income Tax Fund in the same manner as it had done in 2010; however, the implementation of GASB 54 resulted in that fund being properly presented as part of the General Fund on the Financial Statements for 2011. Therefore, no adjustment was necessary in 2011 to record the levy activity and balance in the proper fund.

The accounting records and accompanying financial statements have been adjusted to correctly record this activity. We also identified other insignificant revenue recording errors which were brought to the attention of the Village but were not adjusted in the accounting records or accompanying financial statements. The Village should consider also making these adjustments since the amounts could become material to individual funds in subsequent years.

The Fiscal Officer should utilize resources such as the UAN Accounting Manual and other resources found on the Auditor of State website when recording financial transactions and preparing the annual financial statements. In addition to the monthly bank to book reconciliations and listing of bills to be paid, the Members of Council should also perform a periodic review of the financial records and financial statements, including monthly revenue, expenditure, fund balance and budget vs. actual reports, to help identify financial recording errors.

OFFICIALS' RESPONSE: Will work and try to fix this problem.

FINDING NUMBER 2011-03

Noncompliance Citation

Ordinance 2007-18 – An Ordinance of the Village of Beaverdam Establishing Charges of Rents to be Paid to the Village for the use of the System of Sewerage of the Village states that the minimum charge for sewerage usage, for customers using up to and including 3,000 gallons, was \$17.84 in 2010 and \$18.29 in 2011 for residents per gallon. For businesses inside the Village limits the rate was \$22.13 in 2010 and \$22.68 in 2011 per gallon, and for businesses outside the Village limits the rate will be increased 100% per gallon. For residential usage of 3,000 gallons to 8,000 gallons residents were to pay \$5.14 per gallon in 2010 and \$5.27 per gallon in 2011; for residential usage of 8,000 gallons and above residents were to pay \$3.61 per gallon in 2010 and \$3.70 per gallon in 2011. For business usage of 3,000 gallons to 8,000 gallons the rate was \$5.19 in 2010 and \$5.32 in 2011. For business usage of 8,000 gallons and above, the rate was \$4.43 per gallon in 2010 and \$4.54 per gallon in 2011; for businesses outside the Village the rate will be increased 100% per gallon.

Ordinance 2007-43 – An Ordinance of the Village of Beaverdam, Amending Ordinance 99-37 Maintaining Regulations for the Safe, Economical, and Efficient Management and Protection of the Village Waterworks and Establishing a new Water Rent for the Purpose of Paying the Expenses of Conducting and Managing the Village Waterworks states that the minimum charge for water rent, for customers using up to and including 3,000 gallons, was \$18.20 in 2010 and \$18.66 in 2011. The rates for usage above 3,000 gallons was \$6.04 per gallon in 2010 and \$6.19 per gallon in 2011.

Forty-nine total utility billing transactions were tested for the audit period. Forty-five of the transactions tested were residential customer billings and four of the transactions tested were business customer billings. A comparison of the amounts billed for each transaction was made to a recalculation of the amount which should have been billed based upon customer amounts of water consumption and the Council approved water, sewer, and refuse ordinances in place. This procedure identified that the forty-five residential customer billings tested were under-billed a combined total of \$62.45 and the four business customer billings tested were over-billed a combined total of \$1,218.15.

In 2010, the residential sewer rates which were charged by the Village were the effective rates from 2009, which resulted in Village residents being undercharged for their sewer usage during 2010. In October 2010, the Village identified that the residential sewer rates being charged were incorrect and the rates in the billing system were revised. However, the revised rates which were charged from October 2010 through December 31, 2011 were still not in agreement with the approved rates above. None of the utility bills selected for testing were able to be recalculated based on the approved rates in effect at the time of billing and water consumption levels of the customer.

For the transactions tested, although the billing rates appear to have been incorrect, the receipts were posted to the accounting system and deposited in the bank.

The Fiscal Officer should review the sewer and water rate ordinances to help assure that each customer is being accurately charged. The Members of Council should periodically compare rates in the billing system and the amounts billed to the approved ordinances in order to help assure the approved rates are being billed. The Village should consider identifying and contacting customers who were not billed correctly and adjusting their accounts.

OFFICIALS' RESPONSE: Will work and try to fix this problem.

FINDING NUMBER 2011-04

Noncompliance Citation

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification shall be null and void.

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

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

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

2. **Blanket certificate** – Fiscal officers may prepare "blanket" certificates not exceeding an amount established by resolution or ordinance adopted by the legislative authority against any specific line item account over a period not running beyond the end of the year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate** – The subdivision may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

The Village did not properly certify 56% of the disbursements tested for 2011 and 2010, and there was no evidence that the Village followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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

OFFICIALS' RESPONSE: Will work and try to fix this problem.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2011 AND 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2009-001	Ohio Rev. Code Section 5705.36(A) - Appropriations exceeded available resources	Yes	
2009-002	Ohio Rev. Code Section 5705.41(D) - prior certification of expenditures	No	Repeated as Finding 2011-04
2009-003	Correct posting of receipts.	No	Repeated as Finding 2011-01
2009-004	Article XII Section 5a - Allocation of Interest between funds	No	Repeated in Management Letter

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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
DECEMBER 20, 2012