

Village of Beaver

Pike County, Ohio

Regular Audit

For the Years Ended December 31, 2005 and 2004

**BALESTRA, HARR & SCHERER, CPAs, INC.**

528 South West Street, P.O. Box 687

Piketon, Ohio 45661

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**Auditor of State  
Betty Montgomery**

Village Council  
Village of Beaver  
7460 St. Rt. 335  
P.O. Box 238  
Beaver, OH 45613

We have reviewed the *Independent Auditor's Report* of the Village of Beaver, Pike County, prepared by Balestra, Harr & Scherer, CPAs, Inc., for the audit period January 1, 2004 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditor's Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditor's Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

August 30, 2006

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**Village of Beaver**  
*For the Years Ended December 31, 2005 and 2004*  
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants

## Independent Auditor's Report

Village Council  
Village of Beaver  
Pike County, Ohio  
P.O. Box 238  
Beaver, Ohio 45613

We have audited the accompanying financial statements of the Village of Beaver, Pike County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As 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.

Revisions to GAAP would require the Village to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e., major) funds separately for 2005 and 2004. 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 the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Village has elected not to reformat its statements. Since this Village does not use GAAP to measure financial statement amounts, 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, 2005 and 2004, 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, 2005 and 2004, or its changes in financial position or cash flows of its proprietary funds 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 of the Village, as of the December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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The aforementioned revision to generally accepted accounting principles also requires the Village to include Management's Discussion and Analysis for the years ended December 31, 2005 and 2004. The Village has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2006, 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. 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.



Balestra, Harr & Scherer, CPAs, Inc.  
June 23, 2006

**Village of Beaver**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund  
Cash Balances - All Governmental Fund Types  
For the Year Ended December 31, 2005*

|  | Governmental Fund Types |                    | Total<br>(Memorandum<br>Only) |
|--|-------------------------|--------------------|-------------------------------|
|  | General                 | Special<br>Revenue |                               |
| <b>Cash Receipts:</b>  |                         |                    |                               |
| Local taxes  | \$6,951                 | \$8,540            | \$15,491                      |
| Intergovernmental  | 64,296                  | 25,230             | 89,526                        |
| Charges for services   | 0                       | 6,528              | 6,528                         |
| Fines, licenses, and permits                                     | 2,825                   | 0                  | 2,825                         |
| Interest   | 1,287                   | 0                  | 1,287                         |
| Miscellaneous  | 1,950                   | 0                  | 1,950                         |
| <b>Total Cash Receipts</b>                                       | <b>77,309</b>           | <b>40,298</b>      | <b>117,607</b>                |
| <b>Cash Disbursements:</b>                                       |                         |                    |                               |
| General government   | 55,903                  | 0                  | 55,903                        |
| Security of persons and property                                 | 6,785                   | 15,150             | 21,935                        |
| Public health services   | 30                      | 6,670              | 6,700                         |
| Leisure time activities  | 0                       | 155                | 155                           |
| Transportation   | 0                       | 10,978             | 10,978                        |
| Capital outlay   | 0                       | 9,892              | 9,892                         |
| Other  | 0                       | 32                 | 32                            |
| <b>Total Cash Disbursements</b>                                  | <b>62,718</b>           | <b>42,877</b>      | <b>105,595</b>                |
| <b>Excess of Cash Receipts Over/Under<br/>Cash Disbursements</b> | <b>14,591</b>           | <b>(2,579)</b>     | <b>12,012</b>                 |
| <b>Fund Cash Balances, January 1</b>                             | <b>24,147</b>           | <b>99,756</b>      | <b>123,903</b>                |
| <b>Fund Cash Balances, December 31</b>                           | <b>\$38,738</b>         | <b>\$97,177</b>    | <b>\$135,915</b>              |

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



**Village of Beaver**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash  
Balances - Proprietary Fund Type  
For the Year Ended December 31, 2005*

|   | Proprietary<br>Fund Type |
|---|--------------------------|
|   | Enterprise               |
| Operating Cash Receipts:                          |                          |
| Charges for services                              | \$164,775                |
| Total Operating Cash Receipts                     | 164,775                  |
| Operating Cash Disbursements:                     |                          |
| Personal services                                 | 10,648                   |
| Employee Fringe Benefits                          | 356                      |
| Contractual services                              | 68,879                   |
| Supplies and materials                            | 8,799                    |
| Capital Outlay                                    | 508,277                  |
| Miscellaneous                                     | 679                      |
| Total Operating Cash Disbursements                | 597,638                  |
| Operating Loss                                    | (432,863)                |
| Non-Operating Cash Receipts/(Disbursements):      |                          |
| Intergovernmental revenue                         | 487,105                  |
| Proceeds from Sale of Fixed Assets                | 6,148                    |
| Proceeds from Loans                               | 21,172                   |
| Debt service:                                     |                          |
| Principal   | (31,888)                 |
| Interest  | (30,524)                 |
| Total Non-Operating Cash Receipts/(Disbursements) | 452,013                  |
| Net Receipts Over Disbursements                   | 19,150                   |
| Fund Cash Balances, January 1                     | 62,192                   |
| Fund Cash Balances, December 31                   | \$81,342                 |

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

**Village of Beaver**  
*Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund  
Cash Balances - All Governmental Fund Types  
For the Year Ended December 31, 2004*

|   | Governmental Fund Types |                    |                     | Total<br>(Memorandum<br>Only) |
|---|-------------------------|--------------------|---------------------|-------------------------------|
|   | General                 | Special<br>Revenue | Capital<br>Projects |                               |
| <b>Cash Receipts:</b>   |                         |                    |                     |                               |
| Local taxes   | \$7,282                 | \$17,393           | \$0                 | \$24,675                      |
| Intergovernmental   | 63,461                  | 65,192             | 0                   | 128,653                       |
| Charges for services  | 0                       | 46,480             | 0                   | 46,480                        |
| Fines, licenses, and permits  | 2,883                   | 0                  | 0                   | 2,883                         |
| Interest  | 1,060                   | 0                  | 0                   | 1,060                         |
| Miscellaneous   | 1,028                   | 3,500              | 0                   | 4,528                         |
| <b>Total Cash Receipts</b>  | <b>75,714</b>           | <b>132,565</b>     | <b>0</b>            | <b>208,279</b>                |
| <b>Cash Disbursements:</b>  |                         |                    |                     |                               |
| General government  | 68,899                  | 0                  | 0                   | 68,899                        |
| Security of persons and property  | 7,943                   | 18,394             | 0                   | 26,337                        |
| Public health services  | 62                      | 7,074              | 0                   | 7,136                         |
| Transportation  | 0                       | 6,186              | 0                   | 6,186                         |
| Capital outlay  | 0                       | 49,542             | 181                 | 49,723                        |
| Other   | 0                       | 11,741             | 0                   | 11,741                        |
| Debt service:   |                         |                    |                     |                               |
| Principal   | 0                       | 12,000             | 0                   | 12,000                        |
| Interest  | 0                       | 70                 | 0                   | 70                            |
| <b>Total Cash Disbursements</b>   | <b>76,904</b>           | <b>105,007</b>     | <b>181</b>          | <b>182,092</b>                |
| Excess of Cash Receipts Over/Under<br>Cash Disbursements                                | (1,190)                 | 27,558             | (181)               | 26,187                        |
| <b>Other Financing Receipts:</b>  |                         |                    |                     |                               |
| Proceeds from Note  | 0                       | 12,000             | 0                   | 12,000                        |
| <b>Total Other Financing Receipts</b>   | <b>0</b>                | <b>12,000</b>      | <b>0</b>            | <b>12,000</b>                 |
| Excess of Cash Receipts and Other Financial Receipts<br>Over/(Under) Cash Disbursements | (1,190)                 | 39,558             | (181)               | 38,187                        |
| Fund Cash Balances, January 1   | 25,337                  | 60,198             | 181                 | 85,716                        |
| Fund Cash Balances, December 31   | \$24,147                | \$99,756           | \$0                 | \$123,903                     |

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

**Village of Beaver**  
*Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash  
Balances - Proprietary Fund Type  
For the Year Ended December 31, 2004*

|  | Proprietary<br>Fund Type |
|--|--------------------------|
|  | Enterprise               |
| Operating Cash Receipts:               |                          |
| Charges for services                   | \$161,362                |
| Total Operating Cash Receipts          | 161,362                  |
| Operating Cash Disbursements:          |                          |
| Personal services                      | 10,160                   |
| Employee Fringe Benefits               | 359                      |
| Contractual services                   | 67,946                   |
| Supplies and materials                 | 20,644                   |
| Capital outlay                         | 8,250                    |
| Miscellaneous                          | 462                      |
| Total Operating Cash Disbursements     | 107,821                  |
| Operating Income                       | 53,541                   |
| Non-Operating Cash Disbursements:      |                          |
| Debt service:                          |                          |
| Principal                              | (37,618)                 |
| Interest                               | (32,370)                 |
| Total Non-Operating Cash Disbursements | (69,988)                 |
| Net Receipts Under Disbursements       | (16,447)                 |
| Fund Cash Balances, January 1          | 78,639                   |
| Fund Cash Balances, December 31        | \$62,192                 |

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The Village of Beaver, Pike County, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides general governmental services, including water and sewer utilities and police protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when a payment is made rather than when a liability is incurred.

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

The Village had one primary checking account and had certificates of deposit during 2005 and 2004.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required by law or contract to be restricted.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Funds:

Street Construction, Maintenance, and Repair Fund - This fund received gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

State Highway Fund- This fund received gasoline tax and motor vehicle license tax money to construct, maintain and repair Village streets.

Cemetery Fund- This fund receives real estate and personal property taxes from Village property owners for the benefit of Beaver Union Cemetery.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Fire Fund - This fund received real estate and personal property tax monies from Village property owners and fire contract monies from Union, Marion, and Beaver Townships to be used for fire protection for residents of the Village and those Townships.

Revolving Loan Fund- This fund received principal and interest payments from individuals and businesses within the Village that obtained a revolving loan.

**3. Capital Project Funds**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds).

**4. Enterprise Funds**

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

Water Operating Fund- This fund received monies charged to residents to cover the cost of providing this utility.

Sewer Operating Fund- This fund received monies charged to residents to cover the cost of providing this utility.

Rural Development Loan Fund- This fund received monies from USDA- Rural Development for construction of the sewer system.

Rural Development Grant Fund- This fund received grant monies for construction of the sewer system.

CDBG Pike County Formula Fund- This fund received grant monies for construction of the sewer system.

OPWC Loan Fund- This fund receives loan monies received from the Ohio Public Works Commission for construction of the sewer system.

Enterprise Deposit Fund- This fund receives deposits from new water customers.

OPWC Interest Assistance Fund- This fund receives monies received from Ohio Public Works Commission for interest regarding construction of the sewer system.

ARC Grant Fund- This fund received grant monies for construction of the sewer system.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund (except certain agency funds) be budgeted annually.

**Village of Beaver**  
*Notes to the Financial Statements*  
*For the Years Ended December 31, 2005 and 2004*

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**Appropriations**

Budgetary expenditures (i.e., disbursements and encumbrances) may not exceed appropriations at the fund 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. Appropriations lapse at year end.

**Estimated Resources**

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

**Encumbrances**

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2005 and 2004 budgetary activity appears in Note 4.

**F. Property, Plant and Equipment**

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

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the cash basis of accounting used by the Village.

**H. Total Columns on Financial Statements**

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

**Village of Beaver**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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**NOTE 2 – EQUITY IN POOLED CASH**

The Village maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

|                        | 2005             | 2004             |
|------------------------|------------------|------------------|
| Demand Deposits        | \$205,257        | \$174,095        |
| Certificate of Deposit | 12,000           | 12,000           |
| <b>Total</b>           | <b>\$217,257</b> | <b>\$186,095</b> |

**Deposits:** Deposits are either insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution’s public entity deposit pool.

**NOTE 3- BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2005 and 2004 were as follows:

2005 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance           |
|-----------------|----------------------|--------------------|--------------------|
| General         | \$106,880            | \$77,309           | (\$29,571)         |
| Special Revenue | 177,176              | 40,298             | (136,878)          |
| Enterprise      | 879,017              | 679,200            | (199,817)          |
| <b>Total</b>    | <b>\$1,163,073</b>   | <b>\$796,807</b>   | <b>(\$366,266)</b> |

2005 Budgeted vs. Actual Disbursements

| Fund Type       | Appropriation<br>Authority | Actual<br>Disbursements | Variance         |
|-----------------|----------------------------|-------------------------|------------------|
| General         | \$73,004                   | \$62,718                | \$10,286         |
| Special Revenue | 113,790                    | 42,877                  | 70,913           |
| Enterprise      | 865,504                    | 660,050                 | 205,454          |
| <b>Total</b>    | <b>\$1,052,298</b>         | <b>\$765,645</b>        | <b>\$286,653</b> |

In 2005, the Village certified appropriations exceeding available resources as follows: Cemetery Fund, \$515; Parks & Recreation Fund, \$28,625; Sewer Loan Fund, \$4,052; and ARC Grant Fund, \$162,895. This is in violation of Ohio Revised Code Section 5705.36.

In 2005, the Village also certified appropriations exceeding estimated resources as follows: Cemetery Fund, \$200; Parks & Recreation Fund, \$21,750; Sewer Loan Fund, \$10,200. This is in violation of Ohio Revised Code Section 5705.39.

2004 Budgeted vs. Actual Receipts

| Fund Type        | Budgeted<br>Receipts | Actual<br>Receipts | Variance           |
|------------------|----------------------|--------------------|--------------------|
| General          | \$133,152            | \$75,714           | (\$57,438)         |
| Special Revenue  | 188,089              | 144,565            | (43,524)           |
| Capital Projects | 0                    | 0                  | 0                  |
| Enterprise       | 252,521              | 161,362            | (91,159)           |
| <b>Total</b>     | <b>\$573,762</b>     | <b>\$381,641</b>   | <b>(\$192,121)</b> |

**Village of Beaver**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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**NOTE 3- BUDGETARY ACTIVITY (Continued)**

2004 Budgeted vs. Actual Disbursements

| Fund Type        | Appropriation<br>Authority | Actual<br>Disbursements | Variance         |
|------------------|----------------------------|-------------------------|------------------|
| General          | \$82,422                   | \$76,904                | \$5,518          |
| Special Revenue  | 153,191                    | 105,007                 | 48,184           |
| Capital Projects | 181                        | 181                     | 0                |
| Enterprise       | 239,982                    | 177,809                 | 62,173           |
| <b>Total</b>     | <b>\$475,776</b>           | <b>\$359,901</b>        | <b>\$115,875</b> |

In 2004, the Village certified appropriations exceeding available resources as follows: Sewer Loan Fund, \$7,111, and Water Deposit Fund, \$133. This is in violation of Ohio Revised Code Section 5705.36.

In 2004, the Village also certified appropriations exceeding estimated resources as follows: Cemetery Fund, \$675. This is in violation of Ohio Revised Code Section 5705.39.

**NOTE 4 - PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, 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.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**NOTE 5 - RETIREMENT SYSTEMS**

Village employees, as well as the Mayor, Clerk, and members of Council, belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55 % of participants' wages. The Village had no outstanding contributions at December 31, 2005.



**Village of Beaver**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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**NOTE 6 - RISK MANAGEMENT**

The Village has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been any significant reduction in coverage from prior years.

The Village is a member of the Ohio Municipal League Joint Self-Insurance Pool. The Pool assumes the risk of loss up to the limits of the Village's policy. The Pool may assess supplemental premiums. The following risks are covered by the Pool:

- General liability and casualty
- Public official's liability
- Vehicle

The Village also provides health insurance and life insurance to full-time employees through a private carrier.

**NOTE 7 - DEBT**

Debt outstanding at December 31, 2005 was as follows:

|                                   | Year<br>Issued | Interest<br>Rate | 12/31/05<br>Balance |
|-----------------------------------|----------------|------------------|---------------------|
| Wastewater Treatment Plant:       |                |                  |                     |
| Ohio Public Works Commission      | 2001           | 0.00%            | \$336,224           |
| WSOS Community Action Commission  | 2002           | 4.00%            | 18,545              |
| Ohio Water Development Authority  | 2002           | 2.00%            | 52,056              |
| USDA Rural Development            | 2002           | 4.50%            | 602,800             |
| Ohio Valley Bank – Kubota Tractor | 2005           | 6.49%            | 19,049              |
| Total                             |                |                  | <u>\$1,028,674</u>  |

In June 2004, the Village issued a short-term note in the amount of \$12,000 at an interest rate of 3.95% with a maturity date of September 7, 2004 for the purpose of providing funds for the construction of a restroom shelter house in a Village park. The note was repaid from the Parks and Recreation Fund.

**Village of Beaver**  
*Notes to the Financial Statements*  
For the Years Ended December 31, 2005 and 2004

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**NOTE 7 – DEBT (Continued)**

Amortization of the above debt is scheduled as follows:

| Year Ending<br>December 31: | Principal          | Interest         | Total              |
|-----------------------------|--------------------|------------------|--------------------|
| 2006                        | \$23,760           | \$29,589         | \$53,349           |
| 2007                        | 34,766             | 29,327           | 64,093             |
| 2008                        | 35,573             | 28,610           | 64,183             |
| 2009                        | 36,207             | 27,845           | 64,052             |
| 2010                        | 33,680             | 27,116           | 60,796             |
| 2011-2015                   | 158,501            | 128,016          | 286,517            |
| 2016-2020                   | 164,565            | 115,750          | 280,315            |
| 2021-2025                   | 130,009            | 100,877          | 230,886            |
| 2026-2030                   | 98,961             | 82,519           | 181,480            |
| 2031-2035                   | 113,756            | 59,993           | 173,749            |
| 2036-2040                   | 135,700            | 33,076           | 168,776            |
| 2041-2045                   | 63,196             | 4,298            | 67,494             |
| Total                       | <u>\$1,028,674</u> | <u>\$667,016</u> | <u>\$1,695,690</u> |

**Note 8 - LOANS RECEIVABLE**

Loans outstanding at December 31, 2005, made from the Village’s Revolving Loan Fund, totaled \$1,200. This loan was made to one individual in the amount of \$10,000. Borrowers were required to sign a debt agreement with the Village. The Village did not have any more than a second mortgage on any of the revolving loans.

**BALESTRA, HARR & SCHERER, CPAs, INC.**

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Ohio Society of Certified Public Accountants

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

Village Council  
Village of Beaver  
Pike County, Ohio  
P.O. Box 238  
Beaver, OH 45613

We have audited the accompanying financial statements of the Village of Beaver, Pike County, Ohio, (the Village) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated June 23, 2006, wherein we noted the Village followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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's internal control over financial reporting in order to determine auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting 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'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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of audit findings as items 2005-1 and 2005-2.

We also noted certain matters which we reported to management of the Village in a separate letter dated June 23, 2006.

Village of Beaver

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*

Page 2

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

A handwritten signature in cursive script that reads "Balestra, Harr & Scherer". The signature is written in black ink on a light-colored background.

Balestra, Harr & Scherer, CPAs, Inc.

June 23, 2006

**Village of Beaver**  
*Schedule of Audit Findings and Responses*  
*For the Years Ended December 31, 2005 and 2004*

|  |
|--|
| Finding Related to the Financial Statements Required to be Reported in Accordance with GAGAS |
|--|

**Finding Number 2005-1**

*Amended certificates*

Ohio Revised Code Section 5705.36 states that a reduced amended certificate must be obtained if the amount of the deficiency will reduce available resources below the current level of appropriation. Several material instances were noted where unencumbered beginning balances plus actual receipts were exceeded by appropriations. Failure to monitor budgetary information and amend figures as appropriate could result in the overspending of monies as well as the reliance of decision-makers on inappropriate financial data. The Village should monitor its budgetary information on a periodic basis, preferably monthly, and amend information as necessary to ensure compliance with budgetary law.

**Finding Number 2005-2**

*Appropriations in excess of estimated resources*

Ohio Revised Code Section 5705.39 states that the total appropriation from each fund shall not exceed the total estimated resources. Several material instances were noted where appropriations were in excess of estimated resources. Failure to monitor budgetary information and amend figures as appropriate could result in overspending and inappropriate decisions made based on inaccurate budgetary financial data. The Village should monitor its budgetary information on a periodically basis, preferably monthly, and amend information as necessary to ensure compliance with budgetary law.

|           |
|-----------|
| Responses |
|-----------|

| Finding Number | Planned Corrective Action   | Anticipated Completion Date | Responsible Contact Person |
|----------------|---|-----------------------------|----------------------------|
| 2005-1         | Management will more closely monitor the budgetary process to ensure compliance with Ohio Revised Code Section 5705.36. | 12/31/06                    | Cheryl Overly, Clerk       |
| 2005-2         | Management will more closely monitor the budgetary process to ensure compliance with Ohio Revised Code Section 5705.39. | 12/31/06                    | Cheryl Overly, Clerk       |

**Village of Beaver, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Years Ended December 31, 2005 and 2004*

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| Finding Number | Finding Summary                              | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain: |
|----------------|--|------------------|---|
| 2003-001       | Failure to Pass Supplemental Appropriations  | Yes              |   |
| 2003-002       | Appropriations Exceeding Estimated Resources | No               | Not Corrected – See Finding 2005-2 above  |



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**VILLAGE OF BEAVER**

**PIKE 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 12, 2006**