

VILLAGE OF BEAVERDAM

ALLEN COUNTY

REGULAR AUDIT

JANUARY 1, 2004 THROUGH DECEMBER 31, 2005

FISCAL YEARS AUDITED UNDER GAGAS: 2004 & 2005

Caudill & Associates, CPA's

725 5th Street
Portsmouth, OH 45662



Mary Taylor, CPA

Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Village of Beaverdam, Allen County, prepared by Caudill & Associates, CPA's, 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 Beaverdam is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

May 3, 2007

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Village of Beaverdam
Allen County

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Caudill & Associates, CPA's

725 5th Street
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Member American Institute of Certified Public Accountants

Ohio Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants

Independent Auditor's Report

Member of Council
Village of Beaverdam
101 West Main Street
Beaverdam, Ohio 45808

We have audited the accompanying financial statements of the Village of Beaverdam (The Village), Allen County, Ohio, 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 presenting 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 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 and reserves for encumbrances of the Village, as of 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 March 31, 2007, 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.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
March 31, 2007

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, 2005**

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<i>Cash Receipts</i>				
Property and Other Taxes	\$ 17,514	\$ -	\$ -	\$ 17,514
Intergovernmental Receipts	17,731	28,057	-	45,788
Earnings on Investment	2,787	-	-	2,787
Fines Licences & Permit	5,731	-	-	5,731
Miscellaneous	1,463	-	-	1,463
Total Cash Receipts	45,226	28,057	-	73,283
<i>Disbursements:</i>				
Security of Persons and Property	5,409	-	-	5,409
Public Health Services	954	-	-	954
Leisure Time Activities	1,890	-	-	1,890
Transportation	-	24,338	-	24,338
General Government	41,957	-	-	41,957
Capital Outlay	1,019	1,378	-	2,397
Total Cash Disbursements	51,229	25,716	-	76,945
Total Receipts Over (Under) Disbursements	(6,003)	2,341	-	(3,662)
Other Financing Receipts (Disbursements)				
Other Financing Sources	1,322	-	-	1,322
Total Other Financing Receipts (Disbursements)	1,322	-	-	1,322
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	(4,681)	2,341	-	(2,340)
Fund Cash Balance, January 1	38,699	15,156	108,913	162,768
Fund Cash Balance December 31	34,018	17,497	108,913	160,428
Reserve for Encumbrances, December 31	\$ 182	\$ 771	\$ -	\$ 953

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	PROPRIETARY FUND TYPE
	Enterprise
<i>Operating Cash Receipts</i>	
Charges for Services	\$ 259,956
Total Operating Cash Receipts	259,956
<i>Operating Cash Disbursements</i>	
Personal Services	56,768
Fringe Benefits	14,364
Contractual Services	60,816
Supplies and Material	10,351
Capital Outlay	32,194
Miscellaneous	60,257
Total Operating Cash Disbursements	234,750
Operating Income	25,206
Non-Operating Cash Disbursements:	
Debt Service - Principal	(81,684)
Debt Services - Interest	(21,360)
Total Non-Operating Cash Disbursements	(103,044)
Excess of Cash Receipts Over/(Under) Disbursements and Non-Operating Disbursements	(77,838)
Fund Cash Balance, January 1	288,715
Fund Cash Balance December 31	210,877
Reserve for Encumbrances, December 31	\$ 1,299

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 - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Funds Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<i>Cash Receipts</i>				
Property and Other Taxes	\$ 15,391	\$ -	\$ -	\$ 15,391
Intergovernmental Receipts	20,611	21,652	37,049	79,312
Earnings on Investment	2,967	-	-	2,967
Fines Licences & Permit	2,066	-	9,200	11,266
Special Assessments	2,000	-	-	2,000
Miscellaneous	1,054	-	-	1,054
Total Cash Receipts	<u>44,089</u>	<u>21,652</u>	<u>46,249</u>	<u>111,990</u>
<i>Disbursements:</i>				
Security of Persons and Property	3,573	-	-	3,573
Public Health Services	751	-	-	751
Leisure Time Activities	1,789	-	-	1,789
Transportation	-	-	-	-
Transportation	-	13,405	-	13,405
General Government	35,682	-	-	35,682
Capital Outlay	2,764	980	25,321	29,065
Total Cash Disbursements	<u>44,559</u>	<u>14,385</u>	<u>25,321</u>	<u>84,265</u>
Total Receipts Over (Under) Disbursements	<u>(470)</u>	<u>7,267</u>	<u>20,928</u>	<u>27,725</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	7,127	-	-	7,127
Other Financing Uses	(25)	-	-	(25)
Total Other Financing Receipts (Disbursements)	<u>7,102</u>	<u>-</u>	<u>-</u>	<u>7,102</u>
Excess of Cash Receipts and Other Financing Sources Over (Under) Cash Disbursements and Other Financing Disbursements	<u>6,632</u>	<u>7,267</u>	<u>20,928</u>	<u>34,827</u>
Fund Cash Balance, January 1	<u>32,067</u>	<u>7,889</u>	<u>87,985</u>	<u>127,941</u>
Fund Cash Balance December 31	<u>38,699</u>	<u>15,156</u>	<u>108,913</u>	<u>162,768</u>
Reserve for Encumbrances, December 31	<u>\$ 47</u>	<u>\$ 127</u>	<u>-</u>	<u>\$ 174</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 - PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	PROPRIETARY FUND TYPE
	Enterprise
<i>Operating Cash Receipts</i>	
Charges for Services	\$ 286,808
Total Operating Cash Receipts	286,808
<i>Operating Cash Disbursements</i>	
Personal Services	49,557
Fringe Benefits	14,724
Contractual Services	52,888
Supplies and Materials	10,104
Capital Outlay	124,702
Miscellaneous	64,109
Total Operating Cash Disbursements	316,084
Operating Income	(29,276)
<i>Non-Operating Cash Receipts</i>	
Other Non-Operating Receipts	250
Proceeds from the Sale of Notes	150,000
Total Non-Operating Cash Receipts	150,250
<i>Non-Operating Cash Disbursements:</i>	
Debt Service - Principal	(21,007)
Debt Services - Interest	(18,834)
Other Non-operating Cash Disbursements	-
Total Non-Operating Cash Disbursements	(39,841)
Excess of Cash Receipts and Non-operating Receipts Over/ (Under) Disbursements and Non-operating Disbursements	81,134
Fund Cash Balances, January 1	207,582
Fund Cash Balances December 31	288,716
Reserve for Encumbrances, December 31	\$ 28,840

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

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Beaverdam, Allen County, (the Village), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six member Council. The Village provides general governmental services, including water and sewer utilities, and street and highway maintenance. The Village contracts with the Allen County Sheriff's department to provide policing services. The Village provides the water and the Village residents volunteer their services to the Richland Township Fire and Emergency Medical Services who provide fire and ambulance services to Village residents.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively. Certificates of deposit are valued at cost.

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 to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than 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 receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

Permissive Motor Vehicle License Tax Fund - This fund receives motor vehicle license tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Capital Project Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise funds). The Village had the following significant capital project fund:

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

4. Enterprise Funds

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

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be re-appropriated in the subsequent year. The Village encumbered all commitments outstanding at 12/31/2005.

A summary of 2005 and 2004 budgetary activity appears in Note 3.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant and Equipment

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

G. Unpaid Vacation and Sick Leave

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

The Village maintains a cash and investment 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	\$303,972	\$385,163
Certificates of deposit	67,333	66,321
Total deposits and investments	\$371,305	\$451,484

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by securities specifically pledged by the financial institution to the Village.

3. BUDGETARY ACTIVITY

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

2005 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,659	\$46,548	\$11,889
Special Revenue	27,023	28,057	1,034
Capital Projects	0	0	0
Enterprise	296,170	259,956	(36,214)
Total	\$357,852	\$334,561	(\$23,291)

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

3. BUDGETARY ACTIVITY (Continued)

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,158	\$51,411	\$36,747
Special Revenue	37,958	26,486	11,472
Capital Projects	108,913	0	108,913
Enterprise	558,239	339,093	219,146
Total	\$793,268	\$416,990	\$376,278

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,344	\$51,216	(\$7,128)
Special Revenue	21,652	21,652	0
Capital Projects	0	46,259	46,259
Enterprise	411,000	437,058	26,058
Total	\$490,996	\$556,185	(\$65,189)

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$62,259	\$44,631	\$17,628
Special Revenue	24,494	14,512	9,982
Capital Projects	87,985	25,321	62,664
Enterprise	562,218	384,765	177,453
Total	\$736,956	\$469,229	\$267,727

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

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 payment, the first half is due December 31. The second half payment is due the following June 20.

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

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

5. DEBT

Debt outstanding at December 31, 2005 was as follows:

<u>Loan Description</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>
Ohio Water Development Authority # 1476	\$96,210	8.35%
Ohio Water Development Authority # 2616	770	0.00%
Ohio Water Development Authority # 2617	640	5.00%
Sewer System Mortgage Revenue Bond	185,000	5.00%
Water Line Loan – Citizens Bank	85,333	3.82%

The Ohio Water Development Authority (OWDA) Loan 1 relates to a water and sewer plant expansion project that was mandated by the Ohio Environmental Protection Agency. The OWDA has approved up to \$168,000 in loans to the Village for this project. The loans will be repaid in semiannual installments of varying amounts. The final payment is scheduled for July 1, 2014. Beginning with the first payment of 2004, 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 (OWDA) Loan 2 relates to a feasibility study for improvements to water supply system. The OWDA had approved \$3,850 in loans to the Village for this study. The loan will be repaid in annual installments of \$385 over ten years. The final payment is scheduled for July 1, 2007.

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

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

The Village is required to establish a Sewer System Revenue Bond and Interest Sinking Fund. This fund was not established as required by the bond covenant. The Village is required to place equal monthly payments in this fund in order to meet the next yearly debt payment due in February. The amount in this account is reflected within the sewer system fund rather than the debt fund as required.

The Water Line Loan relates to the replacement of the Village main water line. The loan will be paid in monthly installments over 120 months. The interest rate is variable and adjusted after each 36 payments. The final payment is scheduled for November 11, 2014.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

5. DEBT (Continued)

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

Year Ending	OWDA # 1467	OWDA #2616	OWDA # 2617	Mortgage Revenue Bond	Water Line Replacement CNB	Total
2006	\$16,274	\$385	\$320	\$21,250	\$18,087	\$56,316
2007	16,268	385	320	20,650	18,087	55,710
2008	16,268	0	0	21,050	18,087	55,405
2009	16,268	0	0	20,400	18,087	54,755
2010	16,268	0	0	20,750	18,087	55,105
2011-2015	56,937	0	0	104,400	16,580	177,917
2016-2020	0	0	0	41,950	0	41,950
Total	<u>138,283</u>	<u>\$770</u>	<u>\$640</u>	<u>\$250,450</u>	<u>\$107,015</u>	<u>\$497,158</u>

For the purpose of the above table, amortization of the Water Line Replacement loan was calculated assuming a fixed interest rate of 3.82%.

6. RETIREMENT SYSTEMS

Ohio Public Employees Retirement System (OPERS)

Village officials and employees belong to OPERS of Ohio. OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. OPERS members were required to contribute 8.5 percent of their gross salaries, and the Village was required to contribute an amount equal to 13.55 percent of participants' gross salaries. The Village has paid all contributions required through December 31, 2005.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by OPERS have an option to choose Social Security. A member of Council has elected social security. The Village's liability is 6.2 percent of wages paid.

7. RISK POOL MEMBERSHIP

The Village belongs to the Public Entities Pool of Ohio ("PEP"), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty insurance for its members. PEP is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles

Casualty Coverage

PEP retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$12,000,000, from the General Reinsurance Corporation through contracts with the pool.

If losses exhaust the pool's net assets, APEEP covers PEP losses up to \$5,000,000 per year, subject to a per-occurrence limit of \$2,000,000.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

7. RISK POOL MEMBERSHIP (Continued)

Property Coverage

On January 1, 2005, APEEP began administering a risk-sharing property program. Under the new program, St. Paul Travelers will reinsure specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. APEEP will reinsure members for specific losses in excess of \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. St. Paul Travelers provides aggregate stop-loss coverage based upon the combined Members' Total Insurable Value (TIV). If the stop-loss is reached by payment of losses between \$100,000 and \$250,000, St. Paul Travelers will then reinsure specific losses in excess of \$100,000 up to their \$600,000,000 per occurrence limit.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 (latest information available)

Casualty Coverage	2005	2004
Assets	\$29,719,675	\$27,437,169
Liabilities	(15,994,168)	(13,880,038)
Net Assets	\$13,725,507	\$13,557,131
Property Coverage	2005	2004
Assets	\$4,443,332	\$3,648,272
Liabilities	(1,068,245)	(540,073)
Net Assets	\$3,375,087	\$3,108,199

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Ohio Society of Certified Public Accountants
Kentucky 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*

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

To the members of the council

We have audited the accompanying financial statements of the Village of Beaverdam (the Village), Allen County, as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Village's financial statements, and have issued our report thereon dated March 31, 2007, wherein we noted the Village uses a comprehensive basis of accounting other than generally accepted accounting principles. 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 our 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 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 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 three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as item 2005-001, 2005-002 and 2005-003.

Members of Council
Village of Beaverdam

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This report is intended solely for the information and use of the management, members of the Council, and state
awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Caudill & Associates, CPAs

Caudill & Associates, CPA's
March 31, 2007

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

SCHEDULE OF FINDINGS

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

FINDING NUMBER 2005-001

Noncompliance Citation

The Ohio Revised Code Section 5705.36 (A)(2) allows all subdivisions to request increased amended certificates of estimated resources and reduced amended certificates upon determination by the fiscal officer that revenue to be collected will be greater or less than the amount in the official certificate of estimated resources. ORC 5705.36 requires the village to obtain an increased amended certificate of estimated resources from the budget commission if the legislative authority intends to appropriate and expend excess revenue. The Ohio Revised Code Section 5705.36 (A) (4) requires the Village to obtain a reduced amended certificate if the amount of the deficiency will reduce available resources below the current level of appropriation.

In fiscal year 2005, appropriations for the General Fund and the Water Fund exceeded the amount available for appropriations at the legal level of control.

Failure to monitor appropriations versus available resources could result in expenditures exceeding available resources and possibly result in deficit spending. The Council should monitor the budget versus actual reports and approve modifications if necessary. And approval of the modifications should be enacted and documented in the Council Minutes.

Client Response:

The Village will appropriately follow the auditor's recommendation and monitor appropriations and available resources.

FINDING NUMBER 2005-002

Noncompliance Citation

The Ohio Revised Code Section 5705.39 requires in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate.

In fiscal year 2005, total appropriations for the General Fund exceeded the total estimated resources.

Failure to monitor appropriations against estimated resources may result in appropriations exceeding the estimated resources and further may result in expenditures in excess of available resources. The Village should monitor the appropriations against estimated resources and make modifications as necessary to the appropriations.

Client Response:

The Village will appropriately follow the auditor's recommendation and monitor appropriations and estimated resources.

**VILLAGE OF BEAVERDAM
ALLEN COUNTY**

SCHEDULE OF FINDINGS (Continued)

FINDING NUMBER 2005-003

Debt Covenant Compliance

The Village has not complied with the Sewer Revenue Bond debt covenant requirements to establish four funds, post the revenue and expenditures to the appropriate funds, and invest the money. The required funds according to the debt covenant are the:

Sewer System Fund - This fund was established when the bonds were issued, and receives the revenues from the operation of the sewer utility.

Sewer System Revenue Bond and Interest Sinking Fund - This fund was not established as required by the bond covenant. The Village is required to place equal monthly payments in this fund in order to meet the next yearly debt payment due in February. The amount necessary for the February payment is reflected within the sewer system fund rather than this debt fund as required.

Sewer Reserve Fund – This fund was established when the bonds were issued and a maximum balance of \$20,885 is required to be maintained in this fund to cover unforeseen catastrophic expenditures. If the amount falls below the requirement, monthly payments of \$174.05 are required until the maximum balance of \$20,885 is again reached. The balance in the fund at December 31, 2005 and 2004 exceeded the maximum balance of \$20,885.

Sewer Surplus Fund – This fund was established when the bonds were issued. Annually, on January 15th, the revenue available in the Sewer System Fund account at the end of the preceding calendar year, after making the payments required to fund the Sewer Reserve and the Sewer System Revenue Bond and Interest Sinking Funds, and after reserving therein an amount sufficient to provide adequate working capital, shall be transferred to the Sewer Surplus Fund. This money can be used for any sewer operating expenditures of the Village and may be invested in five year certificates of deposit, savings account, or other allowable investment such as STAR Ohio.

For the audit period, there was no annual determination at January 15th, and subsequent transfer of surplus revenue into this fund.

The Village should establish the revenue bond and interest sinking fund as required by the debt covenant and follow the debt covenant guidelines for the transactions required among the funds.

Client Response:

The Village plans to correct this noncompliance citation in 2007.

Village of Beaverdam
Allen County, Ohio
Schedule of Prior Audit Findings
For the Fiscal Years Ended December 31, 2005 and 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	Cell Phone Payments	Yes	
2003-002	Recording of Minutes	Yes	
2003-003	Records Destruction	Yes	
2003-004	Village Records	Yes	
2003-005	ORC Section 5705.36 – Amended Certificates	No	Non-compliance was not corrected will reissue as Finding # 2005-001
2003-006	ORC Section 5705.40 - Supplemental Appropriations	Yes	
2003-007	ORC Section 5705.41 (B) – Expenditures in Excess of Appropriations	Yes	
2003-008	ORC Section 5705.41 (D) – Certification of Expenditures	Yes	
2003-009	Debt Covenant Compliance	No	Reissued under Finding # 2005-003
2003-010	Monitoring of Monthly Financial Reports	Yes	
2003-011	Supporting Documentation	Yes	



Mary Taylor, CPA
Auditor of State

VILLAGE OF BEAVERDAM

ALLEN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MAY 17, 2007**