



OHIO AUDITOR OF STATE
KEITH FABER



**BEAVER TOWNSHIP
PIKE COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Auditor's Report | 1 |
| Prepared by Management: | |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2020..... | 3 |
| Notes to the Financial Statements For the Year Ended December 31, 2020 | 5 |
| Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) - All Governmental Fund Types For the Year Ended December 31, 2019..... | 13 |
| Notes to the Financial Statements For the Year Ended December, 31, 2019 | 15 |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 21 |
| Schedule of Findings..... | 23 |
| Prepared by Management: | |
| Summary Schedule of Prior Audit Findings | 29 |

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Beaver Township
Pike County
1145 Carrs Run Road
Waverly, Ohio 45690

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Beaver Township, Pike County, Ohio (the Township).

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township, as of December 31, 2020 and 2019, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 14 to the 2020 financial statements and Note 12 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2022, on our consideration of the Township'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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio
January 4, 2022

Beaver Township, Ohio

Pike County

*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*

All Governmental Fund Types

For the Year Ended December 31, 2020

| | General | Special Revenue | Totals (Memorandum Only) |
|---|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$8,493 | \$72,149 | \$80,642 |
| Intergovernmental | 22,387 | 230,695 | 253,082 |
| Earnings on Investments | 482 | 71 | 553 |
| Miscellaneous | 1,462 | 14,475 | 15,937 |
| <i>Total Cash Receipts</i> | <u>32,824</u> | <u>317,390</u> | <u>350,214</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 21,973 | | 21,973 |
| Public Safety | | 95,797 | 95,797 |
| Public Works | | 106,982 | 106,982 |
| Health | 3,539 | 43,265 | 46,804 |
| Debt Service: | | | |
| Principal Retirement | | 2,900 | 2,900 |
| Interest and Fiscal Charges | | 692 | 692 |
| <i>Total Cash Disbursements</i> | <u>25,512</u> | <u>249,636</u> | <u>275,148</u> |
| <i>Net Change in Fund Cash Balances</i> | 7,312 | 67,754 | 75,066 |
| <i>Fund Cash Balances, January 1</i> | <u>18,112</u> | <u>270,258</u> | <u>288,370</u> |
| <i>Fund Cash Balances, December 31</i> | <u>\$25,424</u> | <u>\$338,012</u> | <u>\$363,436</u> |

See accompanying notes to the basic financial statements

This page intentionally left blank.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Beaver Township, Pike County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance & fire protection. The Township contracts with the Village of Beaver to provide fire services.

Public Entity Risk Pools

The Township participates in Ohio Township Association of Risk Management Authority (OTARMA), a risk-sharing pool available to Townships. Note 7 to the financial statements provide additional information for these entities.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road & Bridge Fund The road and bridge fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance payroll, supplies, purchases of fuel and, vehicle equipment & maintenance. This fund is also used for construction of new and future facilities.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Fire Special Levy Fund The fire special levy fund accounts for and reports proceeds from property taxes restricted for fire protection for the township residents.

Cemetery Fund The cemetery fund accounts for and reports proceeds from property taxes restricted for cemetery uses only.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. 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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2020 budgetary activity appears in Note 4.

Deposits

The township deposits all available funds in an interest-earning checking account at a local commercial bank. All deposits are valued at cost.

Capital Assets

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

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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 Township 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.

For regulatory purposes, limited disclosure related to fund balance is included in Note 12.

Note 3 – Compliance

Contrary to Ohio law, at December 31, 2020, appropriations exceeded estimated resources in the General Fund by \$5,767 and the Gasoline Tax Fund by \$29,530.

Also, contrary to Ohio law, 100% of the transactions in 2020 were not certified by the Fiscal Officer at the time the commitment was incurred.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

| 2020 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$32,031 | \$32,824 | \$793 |
| Special Revenue | 251,837 | 317,390 | 65,553 |
| Total | \$283,868 | \$350,214 | \$66,346 |

| Fund Type | Authority | Expenditures | Variance |
|-----------------|-----------|--------------|-----------|
| General | \$55,911 | \$25,512 | \$30,399 |
| Special Revenue | 552,209 | 249,636 | 302,573 |
| Total | \$608,120 | \$275,148 | \$332,972 |

Note 5 – Deposits

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

| | 2020 |
|-------------------------------------|-----------|
| <i>Cash Management Pool:</i> | |
| Demand deposits | \$363,436 |

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

At January 31, 2020, \$36,225, February 28, 2020, \$41,136, March 31, 2020, \$20,935 and April 30, 2020, \$31,223 of deposits were not insured or collateralized, contrary to Ohio law.

Note 6 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 7 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2020</u> |
|-----------------------|---------------|
| Cash and investments | \$36,348,066 |
| Actuarial liabilities | \$ 10,894,146 |

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

All Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2020.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 10 – Debt

Debt outstanding at December 31, 2020, was as follows:

| | Principal | Interest Rate |
|---------------------------------|-----------|---------------|
| 2016 Equipment Acquisition Bond | \$19,000 | 3% |
| Total | \$19,000 | |

During 2016, the Township issued an equipment acquisition Bond to finance the purchase of a backhoe for Township road maintenance.

Amortization

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

| Year Ending December 31: | Equipment Acquisition Bond |
|-----------------------------|----------------------------------|
| 2021 | \$3,446 |
| 2022 | 3,563 |
| 2023 | 3,474 |
| 2024 | 3,485 |
| 2025 | 3,492 |
| 2026 | 3,497 |
| Total | \$20,957 |

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

Note 12 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control.

The fund balance of special revenue funds is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Subsequent Events

In July of 2021, the Township acquired a loan in the amount of \$110,000 for the purchase of a new tractor and mower.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

This page intentionally left blank.

Beaver Township, Ohio*Pike County**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2019*

| | General | Special Revenue | Totals (Memorandum Only) |
|--|-----------------|--------------------|--------------------------------|
| Cash Receipts | | | |
| Property and Other Local Taxes | \$9,830 | \$72,944 | \$82,774 |
| Intergovernmental | 25,934 | 116,069 | 142,003 |
| Earnings on Investments | 559 | 97 | 656 |
| Miscellaneous | 343 | 2,318 | 2,661 |
| <i>Total Cash Receipts</i> | <u>36,666</u> | <u>191,428</u> | <u>228,094</u> |
| Cash Disbursements | | | |
| Current: | | | |
| General Government | 35,885 | | 35,885 |
| Public Safety | | 14,592 | 14,592 |
| Public Works | | 102,498 | 102,498 |
| Health | 3,554 | 36,580 | 40,134 |
| Debt Service: | | | |
| Principal Retirement | | 2,800 | 2,800 |
| Interest and Fiscal Charges | | 710 | 710 |
| <i>Total Cash Disbursements</i> | <u>39,439</u> | <u>157,180</u> | <u>196,619</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(2,773)</u> | <u>34,248</u> | <u>31,475</u> |
| Other Financing Receipts | | | |
| Sale of Capital Assets | | 12,252 | 12,252 |
| <i>Total Other Financing Receipts</i> | <u>-</u> | <u>12,252</u> | <u>12,252</u> |
| <i>Net Change in Fund Cash Balances</i> | (2,773) | 46,500 | 43,727 |
| <i>Fund Cash Balances, January 1</i> | <u>20,885</u> | <u>223,758</u> | <u>244,643</u> |
| Fund Cash Balances, December 31 | | | |
| Restricted | | 270,258 | 270,258 |
| Assigned | 18,112 | | 18,112 |
| <i>Fund Cash Balances, December 31</i> | <u>\$18,112</u> | <u>\$270,258</u> | <u>\$288,370</u> |

See accompanying notes to the basic financial statements

This page intentionally left blank.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Beaver Township, Pike County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Village of Beaver to provide fire services.

Public Entity Risk Pools

The Township participates in Ohio Township Association of Risk Management Authority (OTARMA), a risk-sharing pool available to Townships. Note 8 to the financial statements provides additional information for this entity. The Township’s management believes these financial statements present all activities for which the Township is financially accountable.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue funds:

Gas Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Motor Vehicle License Tax Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

Road & Bridge Tax Fund The road and bridge fund accounts for and reports all disbursements committed to roads, including improvements, paving, snow removal, salt/sand, gravel, blacktop, maintenance payroll, supplies, purchases of fuel and, vehicle equipment & maintenance. This fund is also used for construction of new and future facilities.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Special Levy Fire Fund The fire special levy fund accounts for and reports proceeds from property taxes restricted for fire protection for the township residents.

Cemetery Fund The cemetery fund accounts for and reports proceeds from property taxes restricted for cemetery uses only.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Township 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 financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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 Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year end.

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 approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. The Township did not use the encumbrance method of accounting.

A summary of 2019 budgetary activity appears in Note 4.

Deposits

The township deposits all available funds in an interest-earning checking account at a local commercial bank. All deposits are valued at cost.

Capital Assets

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

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

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.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend 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.

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 Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

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 Township 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.

Note 3 – Compliance

Contrary to Ohio law, at December 31, 2019, appropriations exceeded estimated resources in the General Fund by \$23,095.

Also, contrary to Ohio law, 100% of the transactions in 2019 were not certified by the Fiscal Officer at the time the commitment was incurred.

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 4 – Budgetary Activity

Budgetary activity for the year ending 2019 follows:

| 2019 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|--------------------|----------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$32,031 | \$36,666 | \$4,635 |
| Special Revenue | 170,665 | 203,680 | 33,015 |
| Total | \$202,696 | \$240,346 | \$37,650 |

| 2019 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|----------------------------|---------------------------|-----------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$76,013 | \$39,439 | \$36,574 |
| Special Revenue | 371,329 | 157,180 | 214,149 |
| Total | \$447,342 | \$196,619 | \$250,723 |

Note 5 – Deposits

The Township maintains a deposits pool all funds use. The Ohio Revised Code prescribes allowable deposits. The carrying amount of deposits at December 31, 2019 was as follows:

| | |
|-----------------|-----------|
| | 2019 |
| Demand deposits | \$288,370 |

Deposits

Deposits are either insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township.

At January 31, 2019, \$18,120, February 28, 2019, \$22,535, May 31, 2019, \$16,315, October 31, 2019, \$21,803, November 30, 2019, \$23,878 and December 31, 2019, \$23,082 of deposits were not insured or collateralized, contrary to Ohio law.

Note 6– Debt

Debt outstanding at December 31, 2019, was as follows:

| | | |
|---------------------------------|-----------|---------------|
| | Principal | Interest Rate |
| 2016 Equipment Acquisition Bond | \$21,900 | 3% |
| Total | \$21,900 | |

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

In 2016, the Township issued an equipment acquisition Bond to finance the purchase of a backhoe for Township road maintenance.

Amortization

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

| Year Ending December 31: | Equipment Acquisition Bond |
|-----------------------------|----------------------------------|
| 2020 | \$3,531 |
| 2021 | 3,446 |
| 2022 | 3,563 |
| 2023 | 3,474 |
| 2024 | 3,485 |
| 2025-2026 | 6,989 |
| Total | <u>\$24,488</u> |

Note 7 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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

Note 8 – Risk Management

Risk Pool Membership

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

Beaver Township
Pike County
Notes to the Financial Statements
For the Year Ended December 31, 2019

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

| | <u>2019</u> |
|-----------------------|---------------|
| Cash and investments | \$35,207,320 |
| Actuarial liabilities | \$ 10,519,942 |

Note 9 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement health care and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries, and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 10 – Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 11 – Subsequent Events

In July 2021, the township acquired a loan in the amount of \$110,000 for the purchase of a new tractor and mower.

Note 12 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The Township’s investments of the pension and other employee benefit plan in which the Township participates fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Beaver Township
Pike County
1145 Carrs Run Road
Waverly, Ohio 45690

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Beaver Township, Pike County, (the Township) and have issued our report thereon dated January 4, 2022, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures, which may impact subsequent periods of the Township.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a material weakness. We consider Finding 2020-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township'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 financial statement. However, opining 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 2020-002 through 2020-004.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
January 4, 2022

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

FINDING NUMBER 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

Sound financial reporting is the responsibility of the Township Fiscal Officer and Board of Trustees and is essential to ensure the information provided to the readers of the financial statement is complete and accurate.

Due to deficiencies in internal control, the Township misclassified and misposted various receipts and disbursements to the annual financial report submitted to the Auditor of State for fiscal years 2020 and 2019 as follows:

On the December 31, 2020 financial statements:

- In the Gasoline Tax Fund, receipts of \$6,790 were classified as Miscellaneous instead of Intergovernmental Revenue.
- In the Coronavirus Relief Fund, receipts of \$81,172 were classified as Special Assessments instead of Intergovernmental Revenue.
- In the Coronavirus Relief Fund, disbursements of \$81,172 were classified as Other Disbursements instead of Public Safety Disbursements.

On the December 31, 2019 financial statements:

- In the General Fund, receipts of \$5,000 were classified as Miscellaneous instead of Intergovernmental Revenue.
- In the General Fund, the fund balance of \$18,113 was classified as Unassigned instead of Assigned.
- In the Gasoline Tax Fund, receipts of \$12,252 were posted as Miscellaneous instead of Sale of Assets.

The Township has adjusted the financial statements to correct these errors. Failure to accurately post financial activity can lead to material misstatements in financial reporting, and increases the risk that errors, theft and fraud could occur and not be detected in a timely manner.

To ensure the Township's financial statements and notes to the financial statements are complete and accurate, the Township should adopt policies and procedures, including a final review of the statements and notes by the Township Fiscal Officer and Board of Trustees to identify and correct errors and omissions. We also recommend the Township Fiscal Officer take care in posting transactions in order to ensure the year-end financial statements reflect the appropriate activity for the Township's receipts and expenditures.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-002

Noncompliance

Ohio Rev. Code § 5705.41(D)(1) provides that no orders or contracts involving the expenditure of money are to be made unless there is attached thereto a certificate of the fiscal officer certifying that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that the treasurer'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 Ohio Rev. Code §§ 5705.41(D)(1) and 5705.41(D)(3).

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

Amounts less than \$100 in counties and less than \$3,000 in all other subdivisions 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 Township.

2. Blanket Certificate – The auditor or fiscal officer may prepare "blanket" certificates for a certain sum of money, not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority, against any specific line item account over a period not running beyond the end of the current fiscal 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 Board of Trustees 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, gasoline, food items, roadway materials, utilities, and any other specific recurring and reasonably predictable operating expense. This certification may, but need not, be limited to a specific vendor. This certification is not to extend beyond the current fiscal year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Due to deficiencies in internal controls, all of the transactions tested for 2020 and 2019 were not certified by the Township Fiscal Officer at the time the commitment was incurred, and there was no evidence the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

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 help ensure purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, the Township Fiscal Officer should certify the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

**FINDING NUMBER 2020-002
(Continued)**

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-003

Noncompliance

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as "estimated resources" because it includes unencumbered fund balances.

At December 31, 2020, the Township's appropriations exceeded the amount certified as available by the budget commission in following funds:

| Fund | Appropriations | Estimated Resources | Variance |
|-------------------|----------------|---------------------|------------|
| General Fund | \$ 55,911 | \$ 50,144 | (\$ 5,767) |
| Gasoline Tax Fund | \$236,683 | \$207,153 | (\$29,530) |

At December 31, 2019 the Township's appropriations exceeded the amount certified as available by the budget commission in following funds:

| Fund | Appropriations | Estimated Resources | Variance |
|--------------|----------------|---------------------|------------|
| General Fund | \$76,013 | \$52,918 | (\$23,095) |

Failure to limit appropriations to the amount certified by the budget commission due to deficiencies in the township's compliance monitoring policies and procedures could result in overspending and negative cash fund balance

The Township should draft, approve, and implement procedures to compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the board of trustees to reduce the appropriations.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2020-004

Noncompliance

Ohio Rev. Code § 135.18(A) states each institution designated as a public depository and awarded public deposits under Ohio Rev. Code §§ 135.01 to 135.21, except as provided in Ohio Rev. Code §§ 135.144 or 135.154, shall provide security for the repayment of all public deposits by selecting one of the following methods:

- (1) Securing all uninsured public deposits of each public depositor separately as set forth in divisions (B) to (J) of this section.
- (2) Securing all uninsured public deposits of every public depositor pursuant to Ohio Rev. Code § 135.181 or 135.182, as applicable, by establishing and pledging to the treasurer of state a single pool of collateral for the benefit of every public depositor of the public depository.

Furthermore, Ohio Rev. Code § 135.18(B) states, in part, that if a public depository elects to provide security pursuant to Ohio Rev. Code § 135.18(A)(1), the public depository shall pledge to the public depositor eligible securities of aggregate market value at all times equal to at least one hundred five percent of the total amount of the public depositor’s uninsured public deposits.

In 2020, the Township had four of twelve months that were collateralized below the minimum amount of 105% of the balance at First National Bank. See below:

| Month | Bank Balance | Required Coverage | FDIC amount | Collateral Statement amount | Uncollateralized amount |
|----------|--------------|-------------------|-------------|-----------------------------|-------------------------|
| January | \$305,929 | \$321,225 | \$250,000 | \$35,000 | \$36,225 |
| February | 310,606 | 326,136 | 250,000 | 35,000 | 41,136 |
| March | 291,366 | 305,935 | 250,000 | 35,000 | 20,935 |
| April | 301,165 | 316,223 | 250,000 | 35,000 | 31,223 |

In 2019, the Township had six of twelve months that were collateralized below the minimum amount of 105% of the balance at First National Bank. See below:

| Month | Bank Balance | Required Coverage | FDIC amount | Collateral Statement amount | Uncollateralized amount |
|----------|--------------|-------------------|-------------|-----------------------------|-------------------------|
| January | \$255,353 | \$268,120 | \$250,000 | \$0 | \$18,120 |
| February | 259,557 | 272,535 | 250,000 | 0 | 22,535 |
| May | 286,966 | 301,314 | 250,000 | 35,000 | 16,314 |
| October | 292,193 | 306,803 | 250,000 | 35,000 | 21,803 |
| November | 294,169 | 308,878 | 250,000 | 35,000 | 23,878 |
| December | 293,412 | 308,082 | 250,000 | 35,000 | 23,082 |

FINDING NUMBER 2020-004
(Continued)

As a result, the Township's balances were unsecured throughout most of 2020 and 2019, except for FDIC coverage. This resulted in deposits being at risk of loss.

We recommend the Township review all financial institution deposit balances and ensure there is proper and adequate pledged or pooled collateral in place.

Officials' Response:

We did not receive a response from Officials to this finding.

This page intentionally left blank.

Beaver Township
Pike County
1145 Carrs Run Road
Waverly, Ohio 45690

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019

| Finding Number | Finding Summary | Status | Additional Information |
|----------------|---|--|------------------------|
| 2018-001 | Ohio Rev. Code § 505.24(C), Payroll Allocations | Corrective Action Taken and Finding is Fully Corrected | |
| 2018-002 | Ohio Rev. Code §5705.41(D)(1), Encumbering | Not Corrected | See Finding 2020-002 |
| 2018-003 | Posting Budgetary Information to Ledgers | Corrective Action Taken and Finding is Fully Corrected | |

OHIO AUDITOR OF STATE KEITH FABER



BEAVER TOWNSHIP

PIKE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 1/18/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov