



Dave Yost • Auditor of State



**BEAVER TOWNSHIP  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Beaver Township  
11999 South Avenue  
PO Box 598  
North Lima, Ohio 44452-0598

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Beaver Township, Mahoning County, Ohio (the Township ) as of and for the years ended December 31, 2017 and 2016.

### ***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, 2017 and 2016, 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 by fund type, and related notes of Beaver Township, Mahoning, County, Ohio as of December 31, 2017 and 2016, for the years then ended 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.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018, 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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2018

**Beaver Township***Mahoning County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$466,639	\$1,845,279	\$2,311,918
Charges for Services	65,638	163,895	229,533
Licenses, Permits and Fees	81,061		81,061
Fines and Forfeitures	15,783	2,483	18,266
Intergovernmental	114,487	442,131	556,618
Earnings on Investments	21,134	4,514	25,648
Miscellaneous	32,213	67,507	99,720
<i>Total Cash Receipts</i>	<u>796,955</u>	<u>2,525,809</u>	<u>3,322,764</u>
<b>Cash Disbursements</b>			
Current:			
General Government	599,825		599,825
Public Safety	89,728	2,062,477	2,152,205
Public Works		243,942	243,942
Health	53,087		53,087
Conservation-Recreation	55,671	41	55,712
Other		7,474	7,474
Capital Outlay	4,925	390,921	395,846
<i>Total Cash Disbursements</i>	<u>803,236</u>	<u>2,704,855</u>	<u>3,508,091</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,281)</u>	<u>(179,046)</u>	<u>(185,327)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets	945	400	1,345
Advances In	3,750	3,750	7,500
Advances Out	(3,750)	(3,750)	(7,500)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>945</u>	<u>400</u>	<u>1,345</u>
<i>Net Change in Fund Cash Balances</i>	(5,336)	(178,646)	(183,982)
<i>Fund Cash Balances, January 1</i>	<u>1,049,255</u>	<u>1,964,866</u>	<u>3,014,121</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		1,786,220	1,786,220
Assigned	57,675		57,675
Unassigned (Deficit)	986,244		986,244
<i>Fund Cash Balances, December 31</i>	<u>\$1,043,919</u>	<u>\$1,786,220</u>	<u>\$2,830,139</u>

*See accompanying notes to the basic financial statements*

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**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**NOTE 1 – REPORTING ENTITY**

The constitution and laws of the State of Ohio establish the rights and privileges of the Beaver Township, Mahoning County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general government services, ambulance, fire protection, police protection, maintenance of park and recreational areas and maintenance of roads and bridges.

***Public Entity Risk Pools***

The Township participates in a public entity risk pool and a public entity health insurance pool. Note 6 to the financial statements provides additional information for these entities. These organizations are:

**Public Entity Risk Pool:**

Ohio Township Association Risk Management Authority (OTARMA) – a risk sharing pool that provides the Township with casualty and property insurance.

**Public Entity Health Plan Risk Pool:**

Ohio Public Entity Consortium Health Cooperative – a risk sharing pool that provides the Township with a comprehensive health care plan.

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:

**Police District Fund** This fund receives property tax money for paying the payroll and to pay for equipment in the police department.

**Fire District Fund** This fund receives property tax money for paying the payroll and to pay for equipment in the ambulance and fire department.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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***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. Unencumbered 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. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2017 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including Huntington's MMAX Program) are recorded at share values the mutual funds report.

***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.

***Accumulated Leave***

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

***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.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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**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 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$801,883	\$801,650	(\$233)
Special Revenue	2,529,164	2,529,960	796
Total	\$3,331,047	\$3,331,610	\$563

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$876,487	\$810,677	\$65,810
Special Revenue	2,937,502	2,752,964	184,538
Total	\$3,813,989	\$3,563,641	\$250,348

**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

	2017
Demand deposits	\$56,731
Total deposits	56,731
MMAX - Huntington	2,773,408
Total investments	2,773,408
Total deposits and investments	\$2,830,139

**Deposits**

Deposits are insured by the Federal Deposit Insurance Corporation.

**Investments**

Investments in Huntington's MMAX are not evidenced by securities that exist in physical or book-entry form, but are denoted at the National Banks listed on the December 31, 2017 MMAX statement at no more than \$250,000 per National Bank. This allows for full FDIC coverage at each National Bank.

**NOTE 5 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**NOTE 6 – RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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Financial Position

OTARMA'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, 2017.

	<b>2017</b>
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$25,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>2017 Contributions to OTARMA</u></b> \$57,082
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After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal payments for all casualty claims and claims expense become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

The Township contracted to belong to the Ohio Public Entity Consortium-Healthcare Cooperative (OPEC-HC), a health benefit program risk-sharing pool available to Ohio public entities. Currently OPEC-HC has over 250 groups. The Township joined OPEC-HC on 09/01/2014. OPEC-HC designated the Jefferson Health Plan as the administrator of the benefits pool and the Township has chosen as its network provider Medical Mutual. The current term of the contract began on 09/01/14 and extends until 01/01/2018. The Township pays its OPEC-HC premiums to Ohio Insurance Company. The Trustees voted to leave the OPEC-HC/Jefferson Health Plan for 2018.

Health Benefit Program Coverage

The Township chose the Medical Mutual network to process claims, etc... The Township maintains a high deductible health plan (HDHP) and also established a Health Reimbursement Arrangement (HRA) program several years ago to fund deductibles. This HRA is coordinated with Ohio Public Entity Consortium (OPEC) and Total Administrative Services Corporation (TASC). TASC issues prepaid deductible medical cards to eligible employees of the Township. These cards are funded annually by the Township at \$4,000 individual and \$8,000 family to OPEC, with the Township spreading the funding over a twelve month period. OPEC in turn releases funds to TASC. Any funds not utilized toward deductibles in a plan year are refunded to the Township the following year from OPEC and TASC.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2017*

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Financial Position

The Jefferson Plan had a private actuarial firm perform a valuation analysis to estimate claims that have been incurred, but not yet reported under the Plan as of a valuation date, to compare this liability to funds reserved, and thereby determine whether the amounts reserved meet the requirements of Section 9.833 of the Ohio Revised Code (ORC 9.833). In January 2018, the Jefferson Health Plan assessed Beaver Township \$91,180 for leaving the Plan to support deficit reserves and runout claims. Beaver Township paid the assessment in January 2018.

The Township made the following contributions to the OPEC-HC and the HRA in 2017 as follows:

	<u>2017</u>
Contributions to OPEC-HC	\$447,694
Contributions to HRA	\$161,334

The Township received a total refund for 2016 non-utilized deductibles of \$52,299 in 2017.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

The 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 healthcare 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.

For 2017, OPERS-Law Enforcement participants contributed 13% and the Township contributed an amount equal to 18.1%.

The Township has paid all contributions required through December 31, 2017.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2017</i>	<i>10%</i>	<i>14%</i>
<i>OPERS – Public Safety</i>	<i>2017</i>	<i>12.00%</i>	<i>18.10%</i>
<i>OPERS – Law Enforcement</i>	<i>2017</i>	<i>13.00%</i>	<i>18.10%</i>

**NOTE 8 – 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 1.0 percent during calendar year 2017.

**Beaver Township***Mahoning County, Ohio**Combined Statement of Receipts, Disbursements  
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2016*

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$464,855	\$1,842,620	\$2,307,475
Charges for Services	63,172	132,912	196,084
Licenses, Permits and Fees	77,232		77,232
Fines and Forfeitures	14,448	2,538	16,986
Intergovernmental	110,295	409,522	519,817
Earnings on Investments	10,333	2,902	13,235
Miscellaneous	38,036	39,403	77,439
<i>Total Cash Receipts</i>	<u>778,371</u>	<u>2,429,897</u>	<u>3,208,268</u>
<b>Cash Disbursements</b>			
Current:			
General Government	593,725		593,725
Public Safety	100,652	1,935,289	2,035,941
Public Works		279,920	279,920
Health	51,729		51,729
Conservation-Recreation	55,446		55,446
Other		7,538	7,538
Capital Outlay	10,025	342,893	352,918
<i>Total Cash Disbursements</i>	<u>811,577</u>	<u>2,565,640</u>	<u>3,377,217</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(33,206)</u>	<u>(135,743)</u>	<u>(168,949)</u>
<b>Other Financing Receipts (Disbursements)</b>			
Sale of Capital Assets		30,800	30,800
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>30,800</u>	<u>30,800</u>
<i>Net Change in Fund Cash Balances</i>	<u>(33,206)</u>	<u>(104,943)</u>	<u>(138,149)</u>
<i>Fund Cash Balances, January 1</i>	<u>1,082,461</u>	<u>2,069,810</u>	<u>3,152,271</u>
<b>Fund Cash Balances, December 31</b>			
Restricted		1,964,867	1,964,867
Assigned	72,302		72,302
Unassigned (Deficit)	976,953		976,953
<i>Fund Cash Balances, December 31</i>	<u>\$1,049,255</u>	<u>\$1,964,867</u>	<u>\$3,014,122</u>

*See accompanying notes to the basic financial statements*

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**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 1 – REPORTING ENTITY**

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**Public Entity Health Plan Risk Pool:**

Ohio Public Entity Consortium Health Cooperative – a risk sharing pool that provides the Township with a comprehensive health care plan.

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:

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***Police District Fund*** This fund receives property tax money for paying the payroll and to pay for equipment in the police department.

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**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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***Basis of Accounting***

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***Budgetary Process***

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***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. Unencumbered 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. Encumbrances outstanding at year-end are carried over, and need not be reappropriated.

A summary of 2016 budgetary activity appears in Note 3.

***Deposits and Investments***

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including Huntington's MMAX Program) are recorded at share values the mutual funds report.

***Capital Assets***

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***Accumulated Leave***

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

***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.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

**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 – BUDGETARY ACTIVITY**

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$777,699	\$778,371	\$672
Special Revenue	2,458,575	2,460,696	2,121
Total	\$3,236,274	\$3,239,067	\$2,793

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$857,191	\$813,877	\$43,314
Special Revenue	2,845,217	2,702,312	142,905
Total	\$3,702,408	\$3,516,189	\$186,219

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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**NOTE 4 – DEPOSITS AND INVESTMENTS**

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

	2016
Demand deposits	<u>\$151,346</u>
Total deposits	<u>151,346</u>
MMA - Huntington	<u>2,862,775</u>
Total investments	<u>2,862,775</u>
Total deposits and investments	<u><u>\$3,014,121</u></u>

***Deposits***

Deposits are insured by the Federal Deposit Insurance Corporation.

***Investments***

Investments in Huntington's MMA are not evidenced by securities that exist in physical or book-entry form, but are denoted at the National Banks listed on the December 31, 2016 MMA statement at no more than \$250,000 per National Bank. This allows for full FDIC coverage at each National Bank.

**NOTE 5 – 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 homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

**NOTE 6 – RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA'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, 2016.

	<b>2016</b>
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$65,136.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>2016 Contributions to OTARMA</b> \$54,736
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After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also, upon withdrawal payments for all casualty claims and claims expense become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

The Township contracted to belong to the Ohio Public Entity Consortium-Healthcare Cooperative (OPEC-HC), a health benefit program risk-sharing pool available to Ohio public entities. Currently OPEC-HC has over 250 groups. The Township joined OPEC-HC on 09/01/2014. OPEC-HC designated the Jefferson Health Plan as the administrator of the benefits pool and the Township has chosen as its network provider Medical Mutual. The current term of the contract began on 09/01/14 and extends until 01/01/2018. The Township pays its OPEC-HC premiums to Ohio Insurance Company.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

Health Benefit Program Coverage

The Township chose the Medical Mutual network to process claims, etc... The Township maintains a high deductible health plan (HDHP) and also established a Health Reimbursement Arrangement (HRA) program several years ago to fund deductibles. This HRA is coordinated with Ohio Public Entity Consortium (OPEC) and Total Administrative Services Corporation (TASC). TASC issues prepaid deductible medical cards to eligible employees of the Township. These cards are funded annually by the Township at \$4,000 individual and \$8,000 family to OPEC, with the Township spreading the funding over a twelve month period. OPEC in turn releases funds to TASC. Any funds not utilized toward deductibles in a plan year are refunded to the Township the following year from OPEC and TASC.

Financial Position

The Jefferson Plan had a private actuarial firm perform a valuation analysis to estimate claims that have been incurred, but not yet reported under the Plan as of a valuation date, to compare this liability to funds reserved, and thereby determine whether the amounts reserved meet the requirements of Section 9.833 of the Ohio Revised Code (ORC 9.833) at June 30, 2016:

JEFFERSON PLAN	2016	
Fund Balance	\$63,785,414	
Liabilities	(\$26,256,955)	
Excess Funds	\$37,528,459	
Fluctuation Reserve	(\$31,552,739)	
Excess Funds	\$5,975,720	
JEFFERSON PLAN - OPEC	2016	
Fund Balance	(4,885,792)	
Liabilities	(5,125,766)	
Excess Funds	(10,011,558)	
Fluctuation Reserve	(6,091,716)	
Excess Funds	(16,103,274)	

The Township made the following contributions to the OPEC-HC and the HRA in 2016 as follows:

	2016
Contributions to OPEC-HC	\$428,344
Contributions to HRA	\$170,677

The Township received a total refund for 2015 non-utilized deductibles of \$50,477 in 2016.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS**

***Ohio Public Employees Retirement System***

The 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 healthcare 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.

For 2016, OPERS-Law Enforcement participants contributed 13% and the Township contributed an amount equal to 18.1%.

**Beaver Township**  
*Mahoning County*  
*Notes to the Financial Statements*  
*For the Year Ended December 31, 2016*

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The Township has paid all contributions required through December 31, 2016.

<i>Retirement Rates</i>	<i>Year</i>	<i>Member Rate</i>	<i>Employer Rate</i>
<i>OPERS – Local</i>	<i>2017</i>	<i>10%</i>	<i>14%</i>
<i>OPERS – Public Safety</i>	<i>2017</i>	<i>12.00%</i>	<i>18.10%</i>
<i>OPERS – Law Enforcement</i>	<i>2017</i>	<i>13.00%</i>	<i>18.10%</i>

**NOTE 8 – 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 2.0 percent during calendar year 2016.

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# Dave Yost • Auditor of State

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

Beaver Township  
11999 South Avenue  
PO Box 598  
North Lima, Ohio 44452-0598

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 by fund type of Beaver Township, Mahoning County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated August 27, 2018, 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.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the 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 '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 2017-001 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 determination of financial statement amounts. 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Township's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the Township's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

***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.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 27, 2018

BEAVER TOWNSHIP  
MAHONING COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2017

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

1. Financial Statement Presentation

<i>Finding Number</i>	2017-001
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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.

Based on provisions in GASB 54, paragraph 16 and Implementation Guide Z.54.13 assigned balances include year-end general fund balances appropriated in the next fiscal year. The Township's 2018 appropriations of \$846,599 within the General Fund were higher than the estimated resources of \$788,924 by \$57,675 and the amount was not reported as assigned fund balance. The Township's 2017 appropriations of \$874,185 within the General Fund were higher than the estimated resources of \$801,882 by \$72,302 and the amount was not reported as assigned fund balance. (At the time the 2016 financial statements were filed General Fund appropriations were \$860,386 and the amount of assigned fund balance should have been \$58,504.) The accompanying financial statements reflect the reclassification from unassigned fund balance to assigned fund balance.

Also, 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 imposed by law through constitutional provisions as in Special Revenue Funds. Special Revenue fund balance of \$1,786,221 for December 31, 2017 should have been reported as restricted fund balance. Special Revenue fund balance \$1,964,866 for December 31, 2016 should have been reported as restricted fund balance. The accompanying financial statements reflect the reclassification from unassigned fund balance to restricted fund balance.

While the notes to the financial statements describe applicable fund balance classifications, the financial statements filed on the Hinkle System did not delineate the fund balances between these classifications. The Fiscal Officer should reference applicable guidance from the Auditor of State prior to filing the completed report on the AOS Hinkle system.

The Township should review the next fiscal year appropriations and estimated resources and determine if the General Fund appropriations exceed estimated resources. The excess amount should be reported as assigned within the General Fund balance in accordance with the provisions of GASB 54, paragraph 16 and Implementation Guide Z.54.13.

Also, Special Revenue fund balances should be reported as restricted fund balances based upon the definition of special revenue funds.

**Official's Response:** Will perform "Assigned" calculation of General Fund for Annual Financial Report submitted to Hinkle System and also adjust the Township's internal Combined/Combining Statements to reflect fund balance breakdowns of the General Fund as to Assigned/Unassigned balances and the Special Revenue Funds as to Restricted balances.

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# Dave Yost • Auditor of State

**BEAVER TOWNSHIP**

**MAHONING COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 11, 2018**