

**BEAVER TOWNSHIP
NOBLE COUNTY**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2004 AND 2003**



**Auditor of State
Betty Montgomery**

Board of Trustees
Beaver Township
57036 SR 147
Quaker City, Ohio 43773

We have reviewed the *Independent Auditors' Report* of Beaver Township, Noble County, prepared by Jones, Cochenour & Co., for the audit period January 1, 2003 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

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

BETTY MONTGOMERY
Auditor of State

December 2, 2005

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**BEAVER TOWNSHIP
NOBLE COUNTY**

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INDEPENDENT AUDITORS' REPORT

Beaver Township, Noble County
Quaker City, OH

We have audited the accompanying financial statements of Beaver Township, Noble County, (the "Township") as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township had elected not to reformat its statements. Since this Township does not use GAAP to measure financial statements amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its change in financial position or cash flows of its proprietary funds for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township, as of December 31, 2004 and 2003, and its combined receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2005 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reports and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

A handwritten signature in cursive script that reads "Jones, Cochenour & Co.".

Jones, Cochenour & Co.
October 19, 2005

BEAVER TOWNSHIP, NOBLE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Debt Service	
CASH RECEIPTS				
Local taxes	\$ 4,266	\$ 13,467	\$ -	\$ 17,733
Intergovernmental	6,731	171,738	6,000	184,469
Licenses, permits, and fees	132	2,825	-	2,957
Earnings on investments	513	241	-	754
Other revenue	26	76	-	102
	11,668	188,347	6,000	206,015
TOTAL CASH RECEIPTS				
CASH DISBURSEMENTS				
Current:				
General government	15,176	207	-	15,383
Public safety	1,140	-	-	1,140
Public works	-	119,926	-	119,926
Health	-	3,265	-	3,265
Debt service:				
Redemption of principle	-	-	6,200	6,200
Interest and fiscal charges	-	-	371	371
Capital outlay	-	2,750	-	2,750
	16,316	126,148	6,571	149,035
TOTAL CASH DISBURSEMENTS				
TOTAL RECEIPTS OVER/(UNDER) DISBURSEMENTS	(4,648)	62,199	(571)	56,980
OTHER FINANCING RECEIPTS/(DISBURSEMENTS)				
Transfers-in	-	164	-	164
Transfers-out	(164)	-	-	(164)
	(164)	164	-	-
TOTAL OTHER FINANCING RECEIPTS/(DISBURSEMENTS)				
Excess of cash receipts and other financing receipts over/(under) cash disbursements and other financing disbursements	(4,812)	62,363	(571)	56,980
FUND CASH BALANCES, JANUARY 1	5,579	67,051	2,162	74,792
FUND CASH BALANCES, DECEMBER 31	\$ 767	\$ 129,414	\$ 1,591	\$ 131,772

See accompanying notes to the basic financial statements

BEAVER TOWNSHIP, NOBLE COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND CASH BALANCES – ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	
CASH RECEIPTS				
Local taxes	\$ 4,075	\$ 12,879	\$ -	\$ 16,954
Intergovernmental	7,720	80,313	7,320	\$ 95,353
Licenses, permits, and fees	72	1,745	-	1,817
Earnings on investments	563	388	-	951
Other revenue	642	500	-	1,142
	<u>13,072</u>	<u>95,825</u>	<u>7,320</u>	<u>116,217</u>
TOTAL CASH RECEIPTS				
CASH DISBURSEMENTS				
Current:				
General government	15,566	59	-	15,625
Public safety	1,387	-	-	1,387
Public works	-	81,311	-	81,311
Health	-	3,114	-	3,114
Debt service:				
Redemption of principle	-	-	6,200	6,200
Interest and fiscal charges	-	-	731	731
	<u>16,953</u>	<u>84,484</u>	<u>6,931</u>	<u>108,368</u>
TOTAL CASH DISBURSEMENTS				
TOTAL RECEIPTS				
OVER/(UNDER) DISBURSEMENTS				
	<u>(3,881)</u>	<u>11,341</u>	<u>389</u>	<u>7,849</u>
OTHER FINANCING				
RECEIPTS/(DISBURSEMENTS)				
Transfers-in	7,000	237	-	7,237
Transfers-out	(237)	(7,000)	-	(7,237)
	<u>6,763</u>	<u>(6,763)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING				
RECEIPTS/(DISBURSEMENTS)				
Excess of cash receipts and other financing				
Receipts over/(under) cash disbursements and other financing disbursements	2,882	4,578	389	7,849
FUND CASH BALANCES, JANUARY 1	<u>2,697</u>	<u>62,473</u>	<u>1,773</u>	<u>66,943</u>
FUND CASH BALANCES, DECEMBER 31	<u>\$ 5,579</u>	<u>\$ 67,051</u>	<u>\$ 2,162</u>	<u>\$ 74,792</u>

See accompanying notes to the basic financial statements

BEAVER TOWNSHIP, NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Beaver Township, Noble County (the "Township"), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services.

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

B. BASIS OF ACCOUNTING

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

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

C. FUND ACCOUNTING

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund
The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

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

Motor Vehicle License Tax Fund – This fund receives motor vehicle license tax money for constructing, maintaining and repairing Township roads and bridges.

Gasoline Tax Fund – This fund receives gasoline tax money for constructing, maintaining and repairing Township roads.

Road and Bridge Fund - This fund receives property tax money for maintaining Township roads and bridges.

Cemetery Fund – This fund receives tax money and fees from the sale of lots, opening and closing of graves for the purpose of maintaining, grooming and operating Township cemeteries.

BEAVER TOWNSHIP, NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

3. Debt Service Fund

The debt service fund is used to accumulate resources for the payment of bonds and not indebtedness. The Township had the following significant Debt Service Fund:

General Note Retirement Fund – This fund was established to service the general obligation notes obtained for the purchase of a tractor.

D. BUDGETARY PROCESS

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are cancelled, and re-appropriated in the subsequent year. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

F. PROPERTY, PLANT AND EQUIPMENT

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2004</u>	<u>2003</u>
Demand deposits	<u>\$ 131,772</u>	<u>\$ 74,792</u>

Deposits: Deposits are either insured by the Federal Deposit Insurance Corporation (FDIC) or collateralized by the financial institution's public entity deposit pool. The total deposits held by The Township at 2004 includes \$ \$11,538 that is not covered by FDIC or collateralized by the financial institutions deposit pool.

BEAVER TOWNSHIP, NOBLE COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 11,340	\$ 11,668	\$ 328
Special Revenue	173,326	188,511	15,185
Debt Service	6,000	6,000	-
Total	\$ 190,666	\$ 206,179	\$ 15,513

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 16,920	\$ 16,480	\$ 440
Special Revenue	228,376	126,148	102,228
Debt Service	8,162	6,571	1,591
Total	\$ 253,458	\$ 149,199	\$ 104,259

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 19,776	\$ 20,072	\$ 296
Special Revenue	86,287	96,062	9,775
Debt Service	7,320	7,320	-
Total	\$ 113,383	\$ 123,454	\$ 10,071

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 22,473	\$ 17,190	\$ 5,283
Special Revenue	133,759	91,484	42,275
Debt Service	9,093	6,931	2,162
Total	\$ 165,325	\$ 115,605	\$ 49,720

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompany financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

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

BEAVER TOWNSHIP, NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

4. PROPERTY TAX - Continued

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

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

5. DEBT

The debt was paid by the end of 2004.

The general obligation note was issued in 1999 to finance the purchase of a new tractor.

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

<u>Year ending December 31:</u>	<u>Tractor</u>
2003	\$ 6,931
2004	6,571
Total	<u>\$ 13,502</u>

6. RETIREMENT SYSTEM

The Township's elected officials and employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial for the following risks:

- Public Officials and Employment Practices Liability;

Risk Pool Membership

The Township also 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. OTARMA is a member of the American Public Entity Excess Pool (APEEP). 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 Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 which the General Reinsurance Corporation will reinsure.

BEAVER TOWNSHIP, NOBLE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003

7. RISK MANAGEMENT - Continued

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guaranteed Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

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, 2004 and 2003 (the latest information available):

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 30,687,203	\$ 27,792,223
Liabilities	\$ (13,640,962)	\$ (11,791,300)
Retained earnings	\$ 17,046,241	\$ 16,000,923
<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$ 7,799,073	\$ 6,791,060
Liabilities	\$ (753,906)	\$ (750,956)
Retained earnings	\$ 7,045,167	\$ 6,040,104

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Beaver Township, Noble County
Quaker City, OH

We have audited the financial statements of Beaver Township, Noble County as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 19, 2005, wherein we noted that the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Beaver Township, Noble County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted one matter that we reported to management of Beaver Township, Noble County in a separate letter dated October 19, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Beaver Township, Noble County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*. However, we noted one matter that we reported to management of Beaver Township, Noble County in a separate letter dated October 19, 2005.

This report is intended solely for the information and use of the board of directors, management and the Auditor of State and is not intended to be and should not be used by anyone other than these specified parties.

Jones, Cochenour & Co.
October 19, 2005

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**Auditor of State
Betty Montgomery**

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BEAVER TOWNSHIP

NOBLE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 15, 2005**