



Mary Taylor, CPA
Auditor of State

**BEAVER TOWNSHIP
PIKE COUNTY**

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Mary Taylor, CPA

Auditor of State

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to an interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS 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. Our Report includes an adverse opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

November 28, 2007

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

We have audited the accompanying financial statements of Beaver Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005. 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.

Except as described in paragraph six, 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.

Instead of the combined funds the accompanying financial statements present, GAAP require presenting entity wide statements and also presenting the Township's larger (i.e., major) funds separately. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to GAAP presentation requirements. The Auditor of State permits, but does not require townships to reformat their statements. The Township has elected not to follow GAAP statement formatting requirements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 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, 2006 and 2005, or its changes in financial position for the years then ended.

The basis of accounting prescribed by the Auditor of State requires the Township to report outstanding encumbrances at year end as budgetary expenditures. The Township did not record encumbrances for the years ended December 31, 2006 and 2005. Accordingly, budgetary expenditures in Note 3 do not include encumbrances. It was not practical for us to determine the amount of unrecorded encumbrances for the years ended December 31, 2006 and 2005.

Also, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we performed a search for unrecorded year end outstanding encumbrances as discussed in the above paragraph, for the years ended December 31, 2006 and 2005, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Beaver Township, Pike County, Ohio, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

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 November 28, 2007, 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 reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Mary Taylor, CPA
Auditor of State

November 28, 2007

**BEAVER TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$5,596	\$44,523	\$50,119
Intergovernmental	19,853	101,330	121,183
Earnings on Investments	656		656
Miscellaneous	132	80	212
Total Cash Receipts	<u>26,237</u>	<u>145,933</u>	<u>172,170</u>
Cash Disbursements:			
Current:			
General Government	23,663		23,663
Public Safety		11,093	11,093
Public Works		77,566	77,566
Health		24,662	24,662
Human Services	892		892
Debt Service:			
Redemption of Principal	5,008	5,007	10,015
Interest and Other Fiscal Charges	138	138	276
Total Cash Disbursements	<u>29,701</u>	<u>118,466</u>	<u>148,167</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(3,464)</u>	<u>27,467</u>	<u>24,003</u>
Other Financing Receipts/(Disbursements):			
Sale of Notes	3,783	3,783	7,566
Total Other Financing Receipts/(Disbursements)	<u>3,783</u>	<u>3,783</u>	<u>7,566</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	319	31,250	31,569
Fund Cash Balances, January 1	<u>4,918</u>	<u>104,847</u>	<u>109,765</u>
Fund Cash Balances, December 31	<u><u>\$5,237</u></u>	<u><u>\$136,097</u></u>	<u><u>\$141,334</u></u>

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

**BEAVER TOWNSHIP
PIKE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Property and Other Local Taxes	\$4,942	\$53,649	\$58,591
Intergovernmental	19,417	91,422	110,839
Earnings on Investments	487	75	562
Miscellaneous	185		185
Total Cash Receipts	<u>25,031</u>	<u>145,146</u>	<u>170,177</u>
Cash Disbursements:			
Current:			
General Government	29,034		29,034
Public Safety		11,154	11,154
Public Works		62,557	62,557
Health		34,059	34,059
Human Services	879		879
Capital Outlay	5,000	5,000	10,000
Debt Service:			
Interest and Other Fiscal Charges	15		15
Total Cash Disbursements	<u>34,928</u>	<u>112,770</u>	<u>147,698</u>
Total Cash Receipts Over/(Under) Cash Disbursements	<u>(9,897)</u>	<u>32,376</u>	<u>22,479</u>
Other Financing Receipts / (Disbursements):			
Sale of Notes	5,015	5,000	10,015
Total Other Financing Receipts/(Disbursements)	<u>5,015</u>	<u>5,000</u>	<u>10,015</u>
Excess of Cash Receipts and Other Financing Receipts Over / (Under) Cash Disbursements and Other Financing Disbursements	(4,882)	37,376	32,494
Fund Cash Balances, January 1	<u>9,800</u>	<u>67,471</u>	<u>77,271</u>
Fund Cash Balances, December 31	<u><u>\$4,918</u></u>	<u><u>\$104,847</u></u>	<u><u>\$109,765</u></u>

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

**BEAVER TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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 Beaver Township Fire Department to provide fire services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. 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 Auditor of State prescribes or permits.

C. Cash

The Township invests all available funds in an interest bearing checking account.

D. 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 reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

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

Cemetery Fund - This fund receives tax money for the upkeep of the Township's cemeteries.

**BEAVER TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The 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 canceled, and reappropriated in the subsequent year. The Township did not use the encumbrance method of accounting.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

2. Equity in Pooled Cash

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

	<u>2006</u>	<u>2005</u>
Demand deposits	\$141,334	\$109,765

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

**BEAVER TOWNSHIP
PIKE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006 AND 2005
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2006 and 2005 follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$36,200	\$30,020	(\$6,180)
Special Revenue	153,247	149,716	(3,531)
Total	\$189,447	\$179,736	(\$9,711)

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$40,494	\$29,701	\$10,793
Special Revenue	258,698	118,466	140,232
Total	\$299,192	\$148,167	\$151,025

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,694	\$30,046	(\$648)
Special Revenue	119,800	150,146	30,346
Total	\$150,494	\$180,192	\$29,698

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$50,450	\$34,928	\$15,522
Special Revenue	217,178	112,770	104,408
Total	\$267,628	\$147,698	\$119,930

The Township does not use the encumbrance method of accounting; therefore 100% of the Township's disbursements were not certified by the Fiscal Officer at the time the commitment was incurred. Contrary to Ohio law, expenditures exceeded appropriations by \$11,184 in the Cemetery Fund for the year ended December 31, 2005.

4. Property Tax

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.

**BEAVER TOWNSHIP
PIKE COUNTY**

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

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

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
First National Bank Loan	\$7,566	3.25%

This loan was made to purchase a 1991 International Dump Truck. The loan will be repaid in an annual installment of \$7,644, including interest. The loan is collateralized by the dump truck.

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

<u>Year Ending December 31:</u>	<u>First National Bank Loan</u>
2007	\$7,644

6. Retirement System

The Township's 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, respectively, prescribes contribution rates. For 2006 and 2005, OPERS members contributed 9% and 8.5%, respectively, of their gross salaries and the Township contributed an amount equaling 13.7% and 13.55%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

7. Risk Management

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' 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 the financial statements of Beaver Township, Pike County, Ohio (the Township), as of and for the years ended December 31, 2006 and 2005 and have issued our report thereon dated November 28, 2007, wherein we noted the Township did not properly record encumbrances in its budgetary presentation. We also noted the Township followed 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement

We consider the following deficiencies described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting: 2006-002 through 2006-004.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-002 through 2006-004 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated November 28, 2007.

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, providing an opinion 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 that we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2006-001 through 2006-004.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated November 28, 2007.

We intend this report solely for the information and use of management and the Board of Trustees. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

November 28, 2007

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005**

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

FINDING NUMBER 2006-001

Finding for Recovery – Repaid Under Audit

Ohio Rev. Code Section 507.09(A)(3) and (D)(7) provide that in a Township having a budget of more than one hundred thousand dollars but not more than two hundred and fifty thousand dollars, the compensation for 2005 for the fiscal officer shall be \$9,197. Township Fiscal Officer, Juan Lykins, received compensation of \$11,142.98 in 2005. This resulted in an overpayment for 2005 in the amount of \$1,945.98.

Also, Ohio Rev. Code Section 507.09 (A)(4) and (D)(7) provide that in a Township having a budget of more than two hundred and fifty thousand dollars but not more than five hundred thousand dollars, the compensation for 2006 for the fiscal officer shall be \$12,179. Township Fiscal Officer, Juan Lykins, received compensation of \$11,142.98 in 2006. This resulted in an underpayment for 2006 in the amount of \$1,036.02. Taken together, these amounts resulted in a total overpayment of \$909.92.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985).

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Juan Lykins, Fiscal Officer, in the amount of \$909.92, and in favor of Beaver Township’s General Fund.

The finding was repaid in full by Juan Lykins, Fiscal Officer, on November 30, 2007 on check number 1593 for \$909.92, in favor of the General Fund.

FINDING NUMBER 2006-002

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(B) prohibits a subdivision or taxing unit from expending money unless it has been appropriated.

The Cemetery Fund had expenditures that exceeded appropriations by \$11,184 at December 31, 2005.

Allowing expenditures to exceed appropriations could result in negative fund balances and the use of Township resources required for other services.

We recommend the Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations unless the fiscal officer requests the Board of Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)**

FINDING NUMBER 2006-003

Noncompliance Citation/Material Weakness

Ohio Administrative Code (OAC) Section 117-2-02(A) directs all public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, and analyze, classify, record and report its transactions, maintain accountability for the related assets, and prepare financial statements required by the Rule 117-2-03 of the OAC. OAC Section 117-2-02(D) allows the records to be maintained manually or in a computerized format and requires the following: (1) Cash journal with the amount, date, receipt number, check number, account code, and any other information necessary to properly classify the transaction; (2) Receipts ledger to assemble and classify receipts into separate accounts for each type of receipt of each fund consisting of the amount, date, name of the payer, purpose, receipt number, and other information necessary to record the transaction on this ledger and; (3) Appropriation ledger to assemble and classify disbursements into separate accounts for, at a minimum, each account listed in the appropriation resolution. The amount, date, fund, check number, purchase order number, encumbrance amount, unencumbered balance, amount of disbursement, uncommitted balance of appropriations, and any other information required may be entered in the appropriate columns.

The cashbook maintained by the Fiscal Officer contained the name, amount, date, receipt number, and check numbers for most entries. However, not all receipts and disbursements were recorded on the cash- book and some of those recorded were posted in the incorrect amounts and on the incorrect lines making it impossible to foot or cross foot. The receipts ledger did not include the estimated receipts information necessary for regulating budgetary transactions. However, the receipts ledger did have the payer, amount, receipt number and the date and the receipts ledger did properly foot. The appropriations ledger contained the name, amount, date and check number for the transactions and this ledger footed. However, the ledger did not record the amount appropriated for each line or show the unencumbered amount balances to assist in the monitoring of budgetary activity. The manner that these ledgers were maintained did not allow the Fiscal Officer to accurately reflect the financial transactions the Township.

This resulted in several reclassification/adjustments to be made to the Township's financial statements.

We recommend the Fiscal Officer review the requirements of OAC Section 117-2-02 and maintain the cashbook, receipts and appropriation ledger in the manner prescribed therein.

FINDING NUMBER 2006-004

Noncompliance Citation/Material Weakness

Ohio Rev. Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money.

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

**FINDING NUMBER 2006-004
(Continued)**

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in Sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

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

Amounts of less than \$3,000 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 – Fiscal officers 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 Township 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, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

The Township does not use the encumbrance method of accounting; therefore 100% of the Township’s disbursements were not certified by the Fiscal Officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions.

Failure to certify the availability of funds properly 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 also a key control in the disbursement process to assure that 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, we recommend the Fiscal Officer certify that 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.

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

**FINDING NUMBER 2006-004
(Continued)**

Noncompliance Citation/Material Weakness - Ohio Rev. Code Section 5705.41(D)(1) (Continued)

We recommend the Township officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certificate language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs the commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

Officials' Response: We did not receive a response from Official's to the findings reported above.

**BEAVER TOWNSHIP
PIKE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	Ohio Revised Code 5705.41(D): the Township did not properly encumber funds.	No	Reissued as Finding Number 2006-004 in the accompanying Schedule of Findings.
2004-002	Ohio Revised Code 5705.36(A)(2): Estimated revenue exceeding actual revenue	No	Partially corrected. A management letter comment was issued.
2004-003	Ohio Revised Code 5705.39: Appropriations exceeded estimated resources	No	Partially corrected. A management letter comment was issued.
2004-004	Ohio Admin Code Rule 117-2-02(A): Not all activity in was recorded in the cashbook	No	Reissued as Finding Number 2006-003 in the accompanying Schedule of Findings.
2004-005	Not monitoring budgetary activity by officials	No	Partially corrected. A management letter comment was issued.



Mary Taylor, CPA
Auditor of State

BEAVER TOWNSHIP

PIKE COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 24, 2007**