

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

*Financial Statements*  
(Audited)

For The Year Ended  
December 31, 2004

**DEBORAH WATSON, FISCAL OFFICER**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Bethel Township  
8735 Second Street  
Tipp City, Ohio 45371

We have reviewed the *Independent Auditors' Report* of Bethel Township, Miami County, prepared by Julian & Grube, Inc. for the audit period January 1, 2004 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's Office (AOS). 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 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. 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 AOS 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. Bethel Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

September 8, 2006

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**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report.....	1 - 2
Combined Statement of Cash Fund Balances - All Fund Types December 31, 2004 .....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - All Governmental Fund Types For the Year Ended December 31, 2004.....	4
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Cash Fund Balances - Fiduciary Fund Type For the Year Ended December 31, 2004.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Encumbrances Compared with Expenditure Authority - Budget and Actual For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements.....	7 - 15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	16 - 17
Schedule of Findings.....	18 - 20
Schedule of Prior Audit Findings .....	21



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Independent Auditors' Report**

Board of Trustees  
Bethel Township, Miami County  
8735 Second Street  
Tipp City, OH 45371

We have audited the accompanying financial statements of Bethel Township, (the "Township"), Miami County, as of and for the year ended December 31, 2004. 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 *Government Auditing Standards* issued by the Comptroller General of the United States. 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 that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Township prepared these financial statement 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, 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 requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the 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 Bethel Township, as of December 31, 2004, or its changes in financial position for the year then ended.

Independent Auditors' Report  
Bethel Township  
Page 2

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash fund balances of Bethel Township, Miami County, as of and for the year ended December 31, 2004, and its combined cash receipts and disbursements and combined budgeted and actual receipts and budgeted and actual disbursements for the year then ended on the basis of accounting described in Note 2.

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 represented 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 June 22, 2006, 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.



Julian & Grube, Inc.  
June 22, 2006

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH FUND BALANCES  
ALL FUND TYPES  
DECEMBER 31, 2004

<u>Cash and Investments</u>	<u>2004</u>
Cash and Cash Equivalents	\$ 1,199,768
Investments	<u>248,505</u>
Total Cash and Investments	<u>\$ 1,448,273</u>
 <u>Cash Fund Balances</u>	
 <u>Governmental Fund Types:</u>	
General Fund	\$ 688,758
Special Revenue	741,551
Capital Projects	<u>1,724</u>
Total Governmental Fund Types	<u>1,432,033</u>
 <u>Fiduciary Fund Type:</u>	
Non-Expendable Trust	<u>16,240</u>
Total Fund Balances	<u>\$ 1,448,273</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.



**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN CASH FUND BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types			Total (Memorandum Only)
	General	Special Revenue	Capital Projects	
Cash receipts:				
Local taxes	\$ 468,927	\$ 547,937	\$ -	\$ 1,016,864
Intergovernmental	164,565	159,132	-	323,697
Special assessments	-	-	2,030	2,030
Charges for services	-	76,236	-	76,236
Licenses, permits and fees	6,771	2,792	-	9,563
Fines and forfeitures	12,389	-	-	12,389
Interest	7,182	572	-	7,754
Miscellaneous	564	9,956	-	10,520
Total cash receipts	<u>660,398</u>	<u>796,625</u>	<u>2,030</u>	<u>1,459,053</u>
Cash disbursements:				
Current:				
General government	365,034	364,616	-	729,650
Public safety	-	93,358	-	93,358
Public works	-	92,696	815	93,511
Health	25,190	4,570	-	29,760
Conservation - Recreation	46	-	-	46
Capital outlay	3,778	94,524	-	98,302
Total cash disbursements	<u>394,048</u>	<u>649,764</u>	<u>815</u>	<u>1,044,627</u>
Total cash receipts over cash disbursements	<u>266,350</u>	<u>146,861</u>	<u>1,215</u>	<u>414,426</u>
Other financing receipts/(disbursements):				
Advances in	-	80,000	-	80,000
Advances out	-	(80,000)	-	(80,000)
Other sources	872	-	-	872
Total other financing receipts/(disbursements)	<u>872</u>	<u>-</u>	<u>-</u>	<u>872</u>
Excess of cash receipts and other financing receipts over cash disbursements and other financing disbursements	267,222	146,861	1,215	415,298
Cash fund balances, January 1, 2004	<u>421,536</u>	<u>594,690</u>	<u>509</u>	<u>1,016,735</u>
Cash fund balances, December 31, 2004	<u>\$ 688,758</u>	<u>\$ 741,551</u>	<u>\$ 1,724</u>	<u>\$ 1,432,033</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH  
FUND BALANCES - FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004

	Fiduciary Fund Type
	Non-Expendable Trust
Operating cash receipts:	
Earnings on Investments	\$ 197
Total operating cash receipts	197
Operating income	197
Cash fund balances, January 1, 2004	16,043
Cash fund balances, December 31, 2004	\$ 16,240

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS  
AND ENCUMBRANCES COMPARED WITH EXPENDITURE  
AUTHORITY - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004

Fund Types	Receipts					Disbursements						
	County Certified Unencumbered Cash	Budget	Total Estimated Resources	Actual 2004 Receipts	Variance Favorable (Unfavorable)	Prior Year Carryover Appropriations	2004 Appropriations	Total	Actual 2004 Disbursements	Encumbrances Outstanding at 12/31/04	Total	Variance Favorable (Unfavorable)
Governmental:												
General	\$ 393,865	\$ 660,888	\$ 1,054,753	\$ 661,270	\$ 382	\$ -	\$ 1,054,753	\$ 1,054,753	\$ 394,048	\$ -	\$ 394,048	\$ 660,705
Special Revenue	621,133	801,343	1,422,476	876,625	75,282	-	1,417,978	1,417,978	729,764	-	729,764	688,214
Capital Projects	3,592	2,030	5,622	2,030	-	-	5,621	5,621	815	-	815	4,806
Fiduciary:												
Non-Expendable	16,494	542	17,036	197	(345)	-	17,036	17,036	-	-	-	17,036
Total												
(Memorandum Only)	<u>\$ 1,035,084</u>	<u>\$ 1,464,803</u>	<u>\$ 2,499,887</u>	<u>\$ 1,540,122</u>	<u>\$ 75,319</u>	<u>\$ -</u>	<u>\$ 2,495,388</u>	<u>\$ 2,495,388</u>	<u>\$ 1,124,627</u>	<u>\$ -</u>	<u>\$ 1,124,627</u>	<u>\$ 1,370,761</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 1 - DESCRIPTION OF THE ENTITY**

Bethel Township (the “Township”) is a body politic and corporate established for the purpose of exercising 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 general governmental services, including but not limited to, road maintenance, emergency medical services, fire protection, cemetery maintenance, and zoning operations. The Township contracts with the Miami County Sheriff’s department to provide security of persons and property.

Management believes the financial statements included in this report represent all of the funds of the Township over which the Township is financially accountable.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The most significant of the Township’s accounting policies are described below.

**A. BASIS OF PRESENTATION - FUND ACCOUNTING**

The accounts of the Township are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts. The following fund types are used by the Township.

**GOVERNMENTAL FUNDS**

**General Fund**

The general fund is used to account for all activities of the Township not required to be included 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 are used to account for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Township had the following significant Special Revenue Funds:

*Fire Levy Fund 1.5 Mil* - This fund receives proceeds from a property tax levy to provide fire protection and services to the surrounding community.

*Fire Levy Fund 2.0 Mil* - This fund receives proceeds from a property tax levy to provide protection and services to the surrounding community.

Capital Projects Funds

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Projects Fund:

*Brandt Lighting Fund* - This fund receives special assessment monies for construction and maintenance of street lighting.

Fiduciary Funds (Trust and Agency Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. The Township had no significant Nonexpendable Trust Funds.

**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.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**C. BUDGETARY PROCESS**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds are legally required to be budgeted and appropriated. The primary level of budgetary control is at the personal services, capital outlay and other disbursements line items within each fund. Any budgetary modifications at this level may only be made by resolution of the Township.

*Tax Budget:*

A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

*Estimated Resources:*

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews receipt estimates. The County Budget Commission certifies its actions to the Township by September 1. As part of this certification, the Township receives the official certificate of estimated resources, which states the projected receipts of each fund. On or about January 1, the certificate is amended to include fund balances at December 31 of the preceding year. Further amendments may be made during the year if the Township determines that receipts collected will be greater than or less than the prior estimates and the Budget Commission find the revised estimates to be reasonable. Prior to December 31, the Township must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Appropriations:*

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The Township legally adopted two supplemental appropriations during 2004.

*Encumbrances:*

As part of the formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. The Township did not encumber all commitments required by Ohio law.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. There were no outstanding encumbrances at December 31, 2004.

**D. CASH AND CASH EQUIVALENTS**

For reporting purposes, the Township considers "Cash and Cash Equivalents" to be cash on hand, demand deposits, and all investments held by the Township with a maturity date less than or equal to three months from the date of purchase. Interest earned on investments held is credited to its respective funds. Interest income earned and received by the Township totaled \$7,951 for the year ended December 31, 2004.

**E. PROPERTY, PLANT AND EQUIPMENT**

Capital assets are not capitalized in any of the Township's funds. Instead, capital acquisition and construction costs are reflected as expenditures in the fund in the year expended. The costs of normal maintenance and repairs are also expended, along with improvements. Depreciation is not recorded.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

F. INTERGOVERNMENTAL REVENUES

Intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursable basis are recorded when received in accordance with the Township's cash basis method of accounting.

G. TOTAL COLUMNS ON FINANCIAL STATEMENTS

Total columns on the financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Interfund-type eliminations have not been made in the aggregation of this data.

**NOTE 3 - COMPLIANCE**

- A. In noncompliance with Ohio Revised Code Section 5705.41(B), the following items had expenditures in excess of appropriations at the legal level of control for the year ended December 31, 2004:

<u>Fund Type/Fund/Department/Item</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Road and Bridge Levy:	
Other Than Personal	\$ 7,903
Cemetery:	
Personal Services	395
Fire Levy 1.5 Mil:	
Personal Services	128,114
Other Than Personal	25,977

- B. The Township did not timely certify expenditures contrary to Ohio Revised Code Section 5705.41(D).
- C. The \$50,000 advance from the Fire Levy 2.0 mil fund to the Fire Levy 1.5 mil levy fund was not approved by the Trustees and thus is in noncompliance with Ohio Revised Code Section 5705.16.



**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 3 - COMPLIANCE - (Continued)**

D. In noncompliance with Ohio Revised Code Section 5705.10, the following funds had negative fund balances at December 31, 2004:

<u>Special Revenue Funds</u>	<u>Deficit</u>
Fire Levy 1.5 Mil	\$ 17,775
Health	18,929

The general fund is liable for any deficits in these funds. The deficit fund balances resulted from audit adjustments, due to misposting of receipts.

**NOTE 4 - EQUITY IN POOLED CASH AND INVESTEMENTS**

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

	<u>2004</u>
Deposits	\$ 1,199,768
Investments:	
FHLMC	99,952
FMCDN	48,760
FHLB	<u>99,793</u>
Total investments	<u>248,505</u>
Total	<u>\$ 1,448,273</u>

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

**Investments:** The Federal Government and Federal Agency securities are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 5 - INTERFUND TRANSACTIONS**

The following is a summarized breakdown of the Township's advances for 2004:

	<u>Advances In</u>	<u>Advances Out</u>
<u>SPECIAL REVENUE FUNDS:</u>		
Fire Levy 1.5 mil	\$ 50,000	\$ 30,000
Fire Levy 2.0 mil	<u>30,000</u>	<u>50,000</u>
Totals	<u>\$ 80,000</u>	<u>\$ 80,000</u>

**NOTE 6 - CAPITAL LEASE - LESSEE DISCLOSURE**

In January of 2004, the Township entered into a lease agreement for a fire tanker for \$100,000. The term of the lease is 4 years with semiannual payments of \$13,505 due on June 5 and December 5, bearing an interest rate of 3.50%. There were two lease payments made in 2004, totaling \$27,010.

The lease met the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2004.

<u>Year Ended</u> <u>December 31,</u>	<u>Payments</u>
2005	\$ 27,010
2006	27,010
2007	<u>27,010</u>
Total minimum lease payments	81,030
Less: amount representing interest	<u>(4,745)</u>
Present value of minimum lease payments	<u>\$ 76,285</u>

Under the basis of accounting utilized by the Township, this capital asset is not reflected on the financial statements and payments are recorded to the capital outlay line item on the financial statements in the Fire Levy funds.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 7 - RETIREMENT SYSTEMS**

The Township's employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code. The Township's Fire and Emergency Medical Services employees are considered part-time employees and do not belong to the Police & Firemen's Disability & Pension Funds (PFDPF).

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

**NOTE 8 - RISK MANAGEMENT**

**Risk Pool Membership**

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 insurance 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Insurance

OTARMA retains casualty risks up to \$250,000 per claim. 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, from the General Reinsurance Corporation.

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 Insurance

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. The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

**BETHEL TOWNSHIP**  
**MIAMI COUNTY, OHIO**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2004

**NOTE 8 - RISK MANAGEMENT - (Continued)**

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 government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with accounting principles generally accepted in the United States of America, and reported the following assets, liabilities and retained earnings at December 31, 2004 which is the latest available data:

<u>Casualty Coverage</u>	<u>2004</u>
Assets	\$ 30,687,203
Liabilities	<u>(13,640,962)</u>
Retained earnings	<u>\$ 17,046,241</u>
<u>Property Coverage</u>	
Assets	\$ 7,799,073
Liabilities	<u>(753,906)</u>
Retained earnings	<u>\$ 7,045,167</u>

The Township is a member of a pooled insurance group that provides coverage for real property, building contents and vehicles under the terms and conditions required by the pool. Risk sharing certificates are provided in the form of intergovernmental contracts between the Township and the Ohio Township Association of Risk Management Authority (OTARMA). OTARMA administers the pool and upon execution of the contract, the Township pays the annual membership contribution fee. Real property and contents were inspected by OTARMA and are covered for the amount of the repair or replacement within the limits outlined on the statement of value provided as part of the risk sharing certificate.

**NOTE 9 - CONTINGENT LIABILITY**

LITIGATION

The Township is currently not involved in litigation in which the Township's legal counsel anticipates a loss.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**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***

Board of Trustees  
Bethel Township, Miami County  
8735 Second Street  
Tipp City, OH 45371

We have audited the financial statements of Bethel Township (the "Township"), Miami County, Ohio, as of and for the year ended December 31, 2004, and have issued our report thereon dated June 22, 2006, wherein we 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 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that we have reported to the management of the Township in a separate letter dated June 22, 2006.

Board of Trustees  
Bethel Township

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township'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 four instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2004-BT-001, 2004-BT-002, 2004-BT-003, and 2004-BT-004. We also noted other certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated June 22, 2006.

This report is intended solely for the information of the Board of Trustees and management of Bethel Township, Miami County, Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 22, 2006

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2004**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>	
Finding Number	2004-BT-001

Ohio Revised Code Section 5705.41 (D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

It was noted that during the year that the Township made several expenditures in which an invoice was dated prior to the purchase order as certified by the Fiscal Officer, thus causing 68% of 2004 expenditures tested not to be certified in a timely manner.

Without timely certification, the Township increases the risk that purchases may be made for an improper public purpose, expend more funds than are appropriated, or that are available in the treasury or in the process of collection. Thus a negative fund balance may result.

We recommend that all orders or contracts involving the expenditure of money be timely certified to ensure all monies expended are lawfully appropriated and available in the treasury or in the process of collection. A policy and procedure statement adopted by the Board and distributed at least annually may be beneficial. The Township should consider using "Then" and "Now" certificates where applicable.

Client Response: The Fiscal Officer is attempting to utilize the purchase order system.

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2004**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-BT-002

Ohio Revised Code Section 5705.41(B) requires in part that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the Township had expenditures in excess of appropriations for the year ended December 31, 2004 in the following line items:

<u>Fund Type/Fund/Department/Item</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Road and Bridge Levy:	
Other Than Personal	\$ 7,903
Cemetery:	
Personal Services	395
Fire Levy Fund 1.5 Mil:	
Personal Services	128,114
Other Than Personal	25,977

With expenditures exceeding appropriations, the Township is expending monies that have not been appropriated by the Board of Trustees. This may result in unnecessary purchases or overspending which may lead to a fund deficit.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by monitoring expenditures so they do not exceed lawful appropriations. This may be achieved by monitoring the budget more closely on a continual basis.

Client Response: The Fiscal Officer will obtain additional supplemental appropriations and have them approved by the Board of Trustees in a timely manner.



**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2004**

**SCHEDULE OF FINDINGS**

<b>1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - (Continued)</b>	
Finding Number	2004-BT-003

Ohio Revised Code Section 5705.16 requires that no subdivision is to advance monies unless they have been approved by a formal resolution of the taxing authority.

It was noted during the audit that the Township advanced \$50,000 from the 2.0 Mil Fire Levy Fund to the 1.5 Mil Fire Levy Fund without a formal resolution of the Township Trustees.

Without Trustee approval, the Township's management will not be aware of certain expenditures, nor can the Trustees have the budgetary oversight prescribed by the Ohio Revised Code.

We recommend that the Township comply with the Ohio Revised Code and Auditor of State Bulletin 97-003 by obtaining formal Trustee approval for all advances of Township monies.

*Client Response:* The Fiscal Officer will obtain Trustee approval for all future advances.

Finding Number	2004-BT-004
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Ohio Revised Code Section 5705.10 in part requires that money paid into any fund shall be used only for the purposes for which such fund is established.

It was noted during the audit that funds following had negative balances at December 31, 2004:

<u>Special Revenue Funds</u>	<u>Deficit</u>
Fire Levy 1.5 Mil	\$ 17,775
Health	18,929

The general fund is liable for any deficits in these funds. The deficit fund balances resulted from audit adjustments, due to misposting of receipts. The Township is not accurately reflecting its fund balances by recorded receipts improperly.

We recommend that Township properly record monies only to funds they were intended. If funds are anticipated, but not yet received and expenditures are necessary, the Township should advance or transfer funds from the general fund with proper Trustee approval.

*Client Response:* The Fiscal Officer will consult township manual to ensure receipts are recorded to the proper fund.

**BETHEL TOWNSHIP  
MIAMI COUNTY, OHIO  
DECEMBER 31, 2004**

**SCHEDULE OF PRIOR AUDIT FINDINGS**

<b><u>Finding Number</u></b>	<b><u>Finding Summary</u></b>	<b><u>Fully Corrected?</u></b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:</b>
2003-BT-001	Ohio Revised Code Section 5705.41(D) requires that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer attached that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.	No	Not corrected, shown as Finding 2004-BT-001



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**BETHEL TOWNSHIP**

**MIAMI 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 21, 2006**