

**BETHEL TOWNSHIP
MIAMI COUNTY, OHIO**

FINANCIAL STATEMENTS

*FOR THE YEAR ENDED
DECEMBER 31, 2005*

MS. 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, 2005 through December 31, 2005. 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.

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.

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BETTY MONTGOMERY
Auditor of State

September 8, 2006

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**BETHEL TOWNSHIP
MIAMI COUNTY, OHIO**

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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 the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Township, Miami County, Ohio, (the "Township"), as of and for the year ended December 31, 2005, which collectively comprise the Township's financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Township, Miami County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General Fund and Special Revenue Funds: Road and Bridge, Police Levy, Fire Levy 1.5 Mill and Fire Levy 2.0 Mill, thereof and for the year then ended in conformity with the basis of accounting as described in Note 2.

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. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Independent Auditors' Report
Bethel Township
Page Two

The management's discussion and analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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

Julian & Grube, Inc.
June 22, 2006

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of the Ohio Local Government's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$569,358, or 39.31%, a significant change from the prior year. In total, revenues for the Township increased by 5.00% over the previous year. The greatest increase in funds was 42.96% in the General Fund and was caused mostly by increases in interest income and user fees.

The Township's general receipts are primarily property taxes. These receipts represent 68.10% of the total cash received for governmental activities during the year. Property tax receipts for 2005 changed very little compared to 2004 as development within the Township has stabilized.

The Township continues to have large carryover balances due to the passage of a 3.8 Mill levy adopted by voters in August 2003 for development related activities. To date, the only activities put forward have been the development of a new land use plan and new zoning code for the Township. The Township has indicated that they are planning to contract with the Miami County Commissioners for increased capabilities to the county's water system in the Township.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Government as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is one other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Government as a Whole

Bethel Township, Miami County, Ohio, is a body politic and corporate established in 1807 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 also has an elected Fiscal Officer. The Township also employs a full-time Administrator for the day-to-day management of the Township office. The Township has also been instrumental in the development of the Bethel Township Community Improvement Corporation, a 501 (c) 6 tax-exempt organization, organized for the social, economic, commercial and industrial development of the township.

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2005, within the limitations of modified cash basis accounting. The Statement of Net Assets presents the cash balances and investments of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well, such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property taxes.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Statement of Net Assets and the Statement of Activities consist of:

Governmental activities: Most of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township fall into a single category: governmental.

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, the Road and Bridge Fund, the Police Levy Fund, the 1.5 Mill Fire Levy Fund, and the 2.0 Mill Fire Levy Fund. The governmental fund financial statements can be found on pages 12-18 of this report.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities		Total	
	2005	2004	2005	2004
Assets				
Cash and Cash Equivalents	\$1,817,886	\$1,199,768	\$1,817,886	\$1,199,768
Investments	199,745	248,505	199,745	248,505
Total Assets	<u>\$ 2,017,631</u>	<u>\$ 1,448,273</u>	<u>\$ 2,017,631</u>	<u>\$ 1,448,273</u>
Net Assets				
Restricted for:				
Capital Outlay	\$ 2,181	\$ 1,724	\$ 2,181	\$ 1,724
Fire	334,865	267,027	334,865	267,027
Police	163,532	141,574	163,532	141,574
Other Purposes	532,390	349,190	532,390	349,190
Unrestricted	984,663	688,758	984,663	688,758
Total Net Assets	<u>\$2,017,631</u>	<u>\$1,448,273</u>	<u>\$2,017,631</u>	<u>\$1,448,273</u>

As mentioned previously, net assets of governmental activities increased \$569,358 or 39.31% during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- Increased revenues in earnings from investments.
- Increased revenues from increased zoning fees.
- There were no expenditures in 2005 from the Motor Vehicle License Tax Fund and the Fire District Fund.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005. Since the Township did not prepare financial statements in this format for 2004, a comparative analysis of government-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services	\$90,570
Operating Grants and Contributions	94,978
Total Program Receipts	185,548
General Receipts:	
Property and Other Local Taxes	1,043,899
Grants and Entitlements Not Restricted to Specific Programs	235,589
Interest	20,497
Miscellaneous	47,411
Total General Receipts	1,347,396
Total Receipts	1,532,944
Disbursements:	
General Government	493,620
Security of Persons and Property	217,379
Public Health Services	27,188
Public Works	83,490
Capital Outlay	141,909
Total Disbursements	963,586
Increase (Decrease) in Net Assets	569,358
Net Assets, January 1, 2004	1,448,273
Net Assets, December 31, 2004	\$ 2,017,631

Program receipts represent only 12.10% of total receipts and are primarily comprised of fees such as zoning permits, cigarette licensing fees, liquor permit fees and other charges for services.

General receipts represent 87.90% of the Township's total receipts, and, of this amount, 68.10% are local taxes. State and federal grants and entitlements make up the balance of the Government's general receipts 17.48% and include other taxes such as the Permissive Motor Vehicle License Tax. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Government activities. These include the costs of the Board of Trustees, the Fiscal Officer, and other departments and most of the expenses for these services come from the General Fund. Since these costs do not represent direct services to residents, we try to limit these costs. Last year, expenditures from the General Fund were 1.57% higher than they were in 2004.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Security of Persons and Property are the costs of police and fire protection; Public Health Services are the activities of the Health Department; and Public Works activities are those that provide for traditional government services such as road and culvert construction and maintenance.

Governmental Activities

Some of the activities of the Township are paid for primarily through user fees and permits; the most visible of these services are the zoning services provided by the Township. However, other fees are placed into the General Fund and can dramatically affect the "net cost" of services for the Township. Basically, the net costs of services are those costs remaining after fees and permits have been applied to the total costs. The net costs are those costs borne by property tax revenue.

The only major fund where fees and permits are deposited is the General Fund. The other major funds (Road and Bridge, Police Levy, 1.5 Mill Fire Levy, and 2.0 Mill Fire Levy) do not bring in fee or permit receipts. The Ambulance and Emergency Services Fund, represented in the Other Governmental Funds line, is the fund where ambulance billings are received by the Township; therefore, this line item operates at a net surplus.

The Government's Funds

Total governmental funds had receipts of \$1,532,944 and disbursements of \$963,586. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased \$295,905 as the result of increased revenues from interest and fees for services.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements were budgeted at \$1,277,556 while actual disbursements were \$400,238. This high discrepancy is due to the fact that a majority of the funds collected from a 3.8 Mill property tax levy approved by voters in August 2003 have not been spent and are currently being planned for capital infrastructure improvements.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2005, the Township had no outstanding debt and \$51,732 in a capital lease for equipment. For further information regarding the Township's capital lease, refer to Note 7 to the financial statements.

Bethel Township, Miami County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Current Issues

The Board of Trustees of Bethel Township, Miami County is faced with unique challenges arising from high carryover balances and many needs that are facing the community. In 2005, the Board of Trustees worked with the Center for Public Management and Regional Affairs at Miami University to develop a Capital Improvement Plan for years 2005-2010. The Capital Improvement Plan (CIP) has outlined many strategies that the Board of Trustees will take in addressing infrastructure repair and development, community and economic development, program development and park development and rehabilitation. For a more full discussion of the Capital Improvement Plan, please do not hesitate to contact the Township office for more information.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Deborah A. Watson, Fiscal Officer, Bethel Township, Miami County, 8735 South Second St., Tipp City, Ohio 45371.

BETHEL TOWNSHIP, OHIO

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2005**

	<u>Governmental Activities</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 1,817,886
Investments	<u>199,745</u>
Total assets.	<u>2,017,631</u>
Net assets:	
Restricted for:	
Capital projects	2,181
Fire	334,865
Police	163,532
Other purposes	532,390
Unrestricted	<u>984,663</u>
Total net assets	<u>\$ 2,017,631</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

BETHEL TOWNSHIP, OHIO

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Cash Receipts			Net (Cash Disbursements) Cash Receipts and Changes in Net Cash Assets
	Cash Disbursements	Charges for Services	Operating Grants and Contributions	Primary Governmental Activities
Governmental activities:				
General government.	\$ 493,620	\$ -	\$ -	\$ (493,620)
Public safety	217,379	86,184	-	(131,195)
Public works.	83,490	-	94,978	11,488
Health	27,188	4,386	-	(22,802)
Capital outlay	141,909	-	-	(141,909)
Total governmental activities	<u>\$ 963,586</u>	<u>\$ 90,570</u>	<u>\$ 94,978</u>	<u>(778,038)</u>

General Cash Receipts and Transfers:

Property and other taxes	1,000,464
Other local taxes	43,435
Grants and entitlements not restricted to specific programs.	235,589
Earnings on Investments	20,497
Miscellaneous	<u>47,411</u>
Total general cash receipts.	1,347,396
Change in net cash assets	569,358
Net cash assets at beginning of year.	<u>1,448,273</u>
Net cash assets at end of year	<u>\$ 2,017,631</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Road and Bridge</u>	<u>Police Levy</u>	<u>Fire Levy 1.5 Mill</u>	<u>Fire Levy 2.0 Mill</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets and Other Debits</u>							
Cash assets:							
Equity in pooled cash and cash equivalents	\$ 984,663	\$ 50,357	\$ 163,532	\$ 71,119	\$ 263,746	\$ 484,214	\$ 2,017,631
Total assets	<u>\$ 984,663</u>	<u>\$ 50,357</u>	<u>\$ 163,532</u>	<u>\$ 71,119</u>	<u>\$ 263,746</u>	<u>\$ 484,214</u>	<u>\$ 2,017,631</u>
Fund cash balances:							
Unreserved, unrestricted reported in:							
General fund.	\$ 984,663	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 984,663
Special revenue funds	-	50,357	163,532	71,119	263,746	482,033	1,030,787
Capital projects funds	-	-	-	-	-	2,181	2,181
Total fund cash balances	<u>\$ 984,663</u>	<u>\$ 50,357</u>	<u>\$ 163,532</u>	<u>\$ 71,119</u>	<u>\$ 263,746</u>	<u>\$ 484,214</u>	<u>\$ 2,017,631</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

	General	Road and Bridge Levy	Police Levy	Fire Levy 1.5 Mill	Fire Levy 2.0 Mill	Other Governmental Funds	Total Governmental Funds
Cash receipts:							
Taxes	\$ 458,163	\$ 77,450	\$ 107,669	\$ 158,809	\$ 179,444	\$ 62,364	\$ 1,043,899
Charges for Services	-	-	-	-	-	86,184	86,184
Licenes, Permits and Fees	31,852	-	-	-	-	4,386	36,238
Fines and Forfeitures	7,569	-	-	-	-	-	7,569
Intergovernmental	175,803	9,454	12,149	18,202	19,981	94,978	330,567
Special Assessments	-	-	-	-	-	1,854	1,854
Interest	18,998	-	-	-	-	1,499	20,497
Miscellaneous	2,582	-	-	-	-	2,040	4,622
Total cash receipts	<u>694,967</u>	<u>86,904</u>	<u>119,818</u>	<u>177,011</u>	<u>199,425</u>	<u>253,305</u>	<u>1,531,430</u>
Cash disbursements:							
Current:							
General government	333,506	-	96,497	60,737	2,880	-	493,620
Public safety	-	-	1,363	33,875	156,096	26,045	217,379
Public works	-	81,232	-	-	-	2,258	83,490
Health	25,501	-	-	-	-	1,687	27,188
Capital outlay	41,231	24,068	-	13,505	41,505	21,600	141,909
Total cash disbursements	<u>400,238</u>	<u>105,300</u>	<u>97,860</u>	<u>108,117</u>	<u>200,481</u>	<u>51,590</u>	<u>963,586</u>
Excess (deficiency) of cash receipts over (under) cash disbursements	<u>294,729</u>	<u>(18,396)</u>	<u>21,958</u>	<u>68,894</u>	<u>(1,056)</u>	<u>201,715</u>	<u>567,844</u>
Other financing sources (uses):							
Advances In	-	-	-	20,000	-	-	20,000
Advances Out	-	-	-	-	(20,000)	-	(20,000)
Other Sources	1,176	338	-	-	-	-	1,514
Total other financing sources (uses)	<u>1,176</u>	<u>338</u>	<u>-</u>	<u>20,000</u>	<u>(20,000)</u>	<u>-</u>	<u>1,514</u>
Net change in fund cash balances	295,905	(18,058)	21,958	88,894	(21,056)	201,715	569,358
Cash basis fund balances at beginning of year	688,758	68,415	141,574	(17,775)	284,802	282,499	1,448,273
Cash basis fund balances at end of year	<u>\$ 984,663</u>	<u>\$ 50,357</u>	<u>\$ 163,532</u>	<u>\$ 71,119</u>	<u>\$ 263,746</u>	<u>\$ 484,214</u>	<u>\$ 2,017,631</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
 BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 411,403	\$ 411,403	\$ 458,163	\$ 46,760
Licenses, Permits and Fees	7,429	7,429	31,852	24,423
Fines and Forfeitures	11,608	11,608	7,569	(4,039)
Intergovernmental	107,706	107,706	175,803	68,097
Earnings on Investments	6,965	6,965	18,998	12,033
Miscellaneous	24,382	24,382	2,582	(21,800)
Total budgetary basis receipts	<u>569,493</u>	<u>569,493</u>	<u>694,967</u>	<u>125,474</u>
Budgetary basis disbursements:				
Current:				
General government	767,645	767,645	333,506	434,139
Health	26,255	26,255	25,501	754
Capital outlay	483,656	483,656	41,231	442,425
Total budgetary basis disbursements	<u>1,277,556</u>	<u>1,277,556</u>	<u>400,238</u>	<u>877,318</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(708,063)</u>	<u>(708,063)</u>	<u>294,729</u>	<u>1,002,792</u>
Other financing sources/uses:				
Operating Transfers Out	(3,000)	(3,000)	-	3,000
Other Sources	22,305	22,305	1,176	(21,129)
Total other financing sources/uses	<u>19,305</u>	<u>19,305</u>	<u>1,176</u>	<u>(18,129)</u>
Net change in fund cash balance	(688,758)	(688,758)	295,905	984,663
Cash basis fund balance at beginning of year	<u>688,758</u>	<u>688,758</u>	<u>688,758</u>	<u>-</u>
Cash basis fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 984,663</u>	<u>\$ 984,663</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
ROAD AND BRIDGE FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 73,497	\$ 73,497	\$ 77,450	\$ 3,953
Intergovernmental.	9,540	9,540	9,454	(86)
Total budgetary basis receipts	<u>83,037</u>	<u>83,037</u>	<u>86,904</u>	<u>3,867</u>
Budgetary basis disbursements:				
Current:				
Public works.	101,452	101,452	81,232	20,220
Capital outlay.	<u>50,000</u>	<u>50,000</u>	<u>24,068</u>	<u>25,932</u>
Total budgetary basis disbursements.	<u>151,452</u>	<u>151,452</u>	<u>105,300</u>	<u>46,152</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements	<u>(68,415)</u>	<u>(68,415)</u>	<u>(18,396)</u>	<u>50,019</u>
Other financing uses:				
Other Sources	-	-	338	338
Total other financing sources	<u>-</u>	<u>-</u>	<u>338</u>	<u>338</u>
Net change in fund cash balance	(68,415)	(68,415)	(18,058)	50,357
Cash basis fund balance at beginning of year	<u>68,415</u>	<u>68,415</u>	<u>68,415</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,357</u>	<u>\$ 50,357</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
POLICE LEVY FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 119,719	\$ 119,719	\$ 107,669	\$ (12,050)
Intergovernmental.	15,281	15,281	12,149	(3,132)
Total budgetary basis receipts	<u>135,000</u>	<u>135,000</u>	<u>119,818</u>	<u>(15,182)</u>
Budgetary basis disbursements:				
Current:				
General government.	111,574	111,574	96,497	15,077
Public safety.	65,000	65,000	1,363	63,637
Total budgetary basis disbursements.	<u>176,574</u>	<u>176,574</u>	<u>97,860</u>	<u>78,714</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . .	<u>(41,574)</u>	<u>(41,574)</u>	<u>21,958</u>	<u>63,532</u>
Other financing uses:				
Other Uses	(100,000)	(100,000)	-	100,000
Total other financing uses	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>100,000</u>
Net change in fund cash balance	(141,574)	(141,574)	21,958	163,532
Cash basis fund balance at beginning of year	<u>141,574</u>	<u>141,574</u>	<u>141,574</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,532</u>	<u>\$ 163,532</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE LEVY 1.5 MILL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 166,831	\$ 166,831	\$ 158,809	\$ (8,022)
Intergovernmental.	21,507	21,507	18,202	(3,305)
Total budgetary basis receipts	<u>188,338</u>	<u>188,338</u>	<u>177,011</u>	<u>(11,327)</u>
Budgetary basis disbursements:				
Current:				
General government.	70,963	70,963	60,737	10,226
Public safety.	49,600	49,600	33,875	15,725
Capital outlay.	50,000	50,000	13,505	36,495
Total budgetary basis disbursements.	<u>170,563</u>	<u>170,563</u>	<u>108,117</u>	<u>62,446</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . .	<u>17,775</u>	<u>17,775</u>	<u>68,894</u>	<u>51,119</u>
Other financing sources:				
Advances In	-	-	20,000	20,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
Net change in fund cash balance	17,775	17,775	88,894	71,119
Cash basis fund balance at beginning of year	<u>(17,775)</u>	<u>(17,775)</u>	<u>(17,775)</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,119</u>	<u>\$ 71,119</u>

BETHEL TOWNSHIP, OHIO

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH BASIS FUND
BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
FIRE LEVY 2.0 MILL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Budgetary basis receipts:				
Taxes	\$ 151,855	\$ 151,855	\$ 179,444	\$ 27,589
Intergovernmental.	19,215	19,215	19,981	766
Total budgetary basis receipts	<u>171,070</u>	<u>171,070</u>	<u>199,425</u>	<u>28,355</u>
Budgetary basis disbursements:				
Current:				
General government.	4,000	4,000	2,880	1,120
Public safety.	351,872	351,872	156,096	195,776
Capital outlay.	100,000	100,000	41,505	58,495
Total budgetary basis disbursements.	<u>455,872</u>	<u>455,872</u>	<u>200,481</u>	<u>255,391</u>
Excess (deficiency) of budgetary basis receipts over (under) budgetary basis disbursements . . .	<u>(284,802)</u>	<u>(284,802)</u>	<u>(1,056)</u>	<u>283,746</u>
Other financing uses:				
Advances Out	-	-	(20,000)	(20,000)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Net change in fund cash balance	(284,802)	(284,802)	(21,056)	263,746
Cash basis fund balance at beginning of year	<u>284,802</u>	<u>284,802</u>	<u>284,802</u>	<u>-</u>
Cash basis fund balance at end of year.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 263,746</u>	<u>\$ 263,746</u>

Note 1 – Reporting Entity

Bethel Township, Miami County, Ohio (the Township), is a body politic and corporate established in 1807 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 also has an elected Township Fiscal Officer. The township also employs a full-time administrator for the day-to-day management of the township office.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township provides its own fire protection. Police protection is provided by the Miami County Sheriff. The Township has a supplemental contract with the Miami County Sheriff for additional police coverage in the community.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township has no component units.

In 2005, the Board of Trustees of Bethel Township was instrumental in the establishment of the Bethel Township Community Improvement Corporation. The Bethel Township Community Improvement Corporation is a 501 (c) 6 tax-exempt organization and was chartered on March 31, 2005. Currently, one trustee, the fiscal officer and the township administrator serve on the Board of Governors of the Bethel Township Community Improvement Corporation.

Separately-audited statements for the Bethel Township Community Improvement Corporation are available from: William Lutz, Interim Vice-President, 8735 South Second Street, Tipp City, Ohio 45371.

C. Joint Ventures

The Board of Trustees has no joint ventures with any other entity.

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 1 – Reporting Entity (continued)

The Township participates in the Ohio Township Association Risk Management Association, a public entity risk pool. Notes to the financial statements provide additional information for these entities. These organizations are:

Public Entity Risk Pool:

*Ohio Township Association Risk Management Authority
c/o Burnham and Flower of Ohio, Inc.
6797 North High Street, Ste. 131
Worthington, OH 43085*

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on the cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). GAAP include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In cases where these cash basis statements contain items that are the same as, or similar to, those items in the financial statements prepared in conformity with GAAP, similar informative disclosures are provided. Following are the more significant of the Township's accounting policies:

A. Basis of Presentation

For the year ended 2005, the Township has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for the State and Local Governments" format.

The Township's financial statements consist of government-wide financial statements, including a Statement of Net Assets and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The Statement of Net Assets presents the cash balance of the governmental activity of the Township at year end. The Statement of Activities compares disbursements with program receipts for each of the Township's governmental activity. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible.

Note 2 – Summary of Significant Accounting Policies (continued)

Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statement is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into three categories, governmental, proprietary and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The following are the Township's major governmental funds:

General Fund - This fund is used to account for all financial resources of the Township except those required to be accounted for 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.

Road and Bridge - This fund accounts for property tax receipts and their use as they pertain to the maintenance and construction of the Township's roads.

Police Levy - This fund accounts for a 1.0 Mill continuing levy and is used to pay for extra police protection from the Miami County Sheriff's office.

Fire Levy 1.5 Mill - This fund accounts for a 1.5 Mill continuing levy and is used to fund fire department operations.

Fire Levy 2.0 Mill - The fund accounts for a 2.0 Mill levy, used to fund fire department operations. This levy is scheduled to expire in the 2006 tax year.

Other governmental funds of the Township are used to account for taxes and other resources whose uses are restricted to a particular purpose.

Note 2 – Summary of Significant Accounting Policies (continued)

Proprietary Funds

The Township classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise or internal service.

The Township has no proprietary funds.

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs.

The Township has no fiduciary funds.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds. The Township Fiscal Officer must certify that funds are available in the Township treasury to cover the expense.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

Note 2 – Summary of Significant Accounting Policies (continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2005, the Township invested in nonnegotiable certificates of deposit, U.S. Treasury Bills, U. S. Treasury and Agency Securities (Federal Home Loan Mortgage Corporation), and a money market fund. The nonnegotiable certificates of deposit and the U.S. Treasury Bills are reported at cost. The Township’s money market fund investment is recorded at the amount reported by Fifth Third Bank on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$18,998.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township did not have any restricted assets at December 31, 2005.

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

Note 2 – Summary of Significant Accounting Policies (continued)

I. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's modified cash basis of accounting.

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 11 and 12, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for those purposes under which they are collected. For example, funds collected in the Road and Bridge Fund can only be expended for Road and Bridge Maintenance. Other large funds with specific purposes include the Police Levy Fund, both Fire Levy Funds, Ambulance and Emergency Medical Services Fund and the Permissive Motor Vehicle License Fund.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances. There were no outstanding encumbrances at December 31, 2005.

O. Interfund Transactions

Transfers between governmental activities on the government-wide financial statements are reported in the same manner as general receipts.

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 2 – Summary of Significant Accounting Policies (continued)

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Change in Basis of Accounting and Restatement of Fund Equity

In 2004, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Township has implemented the cash basis of accounting described in note 2. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Beginning in 2005, the Township has presented, for the first time, Financial Statements prepared in a format consistent with GASB Statement No. 34 cash basis (See Note 2). In conjunction with this presentation change, the Township has reported certain fund reclassifications to properly present the funds consistent with GASB Statement No. 34. These reclassifications had the following affect on the fund balances previously reported by the governmental funds:

	<u>Nonmajor</u>	<u>Total</u>
Cash Balances 12/31/04	\$ 266,259	\$ 266,259
Reclassification of funds	<u>16,240</u>	<u>16,240</u>
Restated cash balances 1/1/05	<u>\$ 282,499</u>	<u>\$ 282,499</u>

The total restated cash balances at January 1, 2005 equals the net cash assets at the beginning of the year for the governmental activities as reported on the Statement of Activities for the year ended December 31, 2005.

The fund reclassifications had the following affect on the net assets of the nonexpendable trust fund as previously reported:

	<u>Cemetery Trust</u>
Cash basis net assests at December 31, 2004	\$ 16,240
Reclassification of funds	<u>(16,240)</u>
Restated cash basis net assets at January 1, 2005	<u>\$ -</u>

Note 4 – Accountability and Compliance

A. Accountability

There are no deficits reported by the Township in any fund balances for Fiscal Year 2005.

Note 4 – Accountability and Compliance (continued)

B. Compliance

Ohio Revised Code Section 5705.41 (D) states no order or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer 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.

Note 5 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, Police Levy Fund and both Fire Levy Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year -end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis). There were no outstanding encumbrances at year end.

Note 6 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Deposits and Investments (continued)

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the Township had no cash on hand which would be included as part of "Equity in Pooled Cash and Cash Equivalents".

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Deposits and Investments (continued)

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, “Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements”.

A. Deposits with Financial Institutions

At year end, the carrying amount of the Township’s deposits was \$1,817,886. Based on criteria described in GASB Statement No. 40 “Deposits and Investment Risk Disclosures”, as of December 31, 2005, \$1,751,478 of the Township’s bank balance of \$1,951,478 was exposed to custodial risk as discussed below, while \$200,000 was covered by Federal Deposit Insurance Corporation. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the Township’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

B. Investments

As of December 31, 2005, the Township had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturity Greater than 6 Months</u>
FHLMC	\$ 99,952	\$ 99,952
FHLB	99,793	99,793
	<u>\$ 199,745</u>	<u>\$ 199,745</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the Township’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The Township’s investments, except for the repurchase agreement as discussed above and STAR Ohio, were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAA money market rating.

Concentration of Credit Risk: The Township places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Township at June 30, 2005:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
FHLMC	99,952	50.04%
FHLB	99,793	49.96%
	<u>\$ 199,745</u>	<u>100.00%</u>

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 6 – Deposits and Investments (continued)

C. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the statement of net assets as of December 31, 2005:

<u>Cash and Investments per footnote</u>	<u>December 31, 2005</u>
Carrying amount of deposits	\$ 1,817,886
Investments	<u>199,745</u>
Total	<u>\$ 2,017,631</u>
 <u>Cash and Investments per Statement of Net Assets</u>	 <u>December 31, 2005</u>
Governmental activities	<u>\$ 2,017,631</u>

Note 7 – 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 2005, 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, 2005.

<u>Year Ended</u> <u>December 31,</u>	<u>Payments</u>
2006	\$ 27,010
2007	<u>27,010</u>
Total minimum lease payments	54,020
Less: amount representing interest	<u>(2,288)</u>
Present value of minimum lease payments	<u>\$ 51,732</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
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 8 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$9.40 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Agriculture/Residential	\$ 98,250,580
Commercial/Industrial/Mineral	9,603,890
Public Utility Property	
Real	
Personal	\$6,325,490
Tangible Personal Property	\$4,524,780
Total Assessed Value	<u>\$118,704,740</u>

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 9 – Interfund Transactions

The following is a summarized breakdown of the Township’s advances for 2005:

	<u>Advances In</u>	<u>Advances Out</u>
<u>SPECIAL REVENUE FUND:</u>		
Fire Levy 1.5 Mill	\$ 20,000	\$ -
Fire Levy 2.0 Mill	<u>-</u>	<u>20,000</u>
Totals	<u>\$ 20,000</u>	<u>\$ 20,000</u>

The advances in the year ended December 31, 2005 were made in accordance with Ohio Revised Code Sections 5705.10, 5705.14, 5705.15, 5705.16, 5705.36, 5705.39, and 5705.41. The Township advanced money for operations of the fire department. Both levies (1.5 and 2.0) were passed for operations.

Note 10 – Risk Management

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers’ Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 11 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

Note 11 – Defined Benefit Pension Plan (continued)

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$19,955, \$18,983, and \$14,841 respectively. The full amount has been contributed for 2005, 2004 and 2003.

Note 12 - Postemployment Benefits

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

Note 12 - Postemployment Benefits (continued)

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 13 - Debt

Currently, the Township has not incurred any long term debt.

Note 14 - Contingent Liabilities

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

Note 15 - 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 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 judgements, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships 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 Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee 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.

Bethel Township, Miami County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Note 15 – Risk Pool Membership (continued)

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.

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

Note 16 – Related Organizations

The Township fully participates and cooperates with the Bethel Township Community Improvement Corporation. Currently, a member of the Board of Trustees, the Township Fiscal Officer and the Township Administrator constitute over half of the Board of Governors of the Bethel Township Community Improvement Corporation. Information requests regarding the Bethel Township Community Improvement Corporation may be sent to:

*William Lutz, Interim Vice-President
Bethel Township Community Improvement Corporation
8735 South Second Street
Tipp City, OH 45371*

Note 17 – Contingent Liability

Litigation

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



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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***

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Township, Miami County, Ohio, (the "Township") as of and for the year ended December 31, 2005, which collectively comprise the Township's financial statements and have issued our report thereon dated June 22, 2006 wherein we noted the Township prepared its financial statements on the cash basis of accounting, a comprehensive basis of accounting other 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 the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 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 certain other matter involving the internal control over financial reporting that we reported to management of Bethel Township in a separate letter dated June 22, 2006.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2005-BT-001. We also noted certain matters of noncompliance and other matters that we reported to management of Bethel Township in a separate letter dated June 22, 2006.

Board of Trustees
Bethel Township

This report is intended solely for the information and use of the Trustees and the management of Bethel Township 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**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

1. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
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Finding Number	2005-BT-001
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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 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 during the audit that of the expenditures tested the Township had 77.92% expenditures in which the invoice was dated prior to the purchase order by the Fiscal Officer, thus causing those expenditures 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. It may also result in unnecessary purchases.

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 Trustee's 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**

**STATUS OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding <u>No Longer Valid; Explain:</u>
2004-ST-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 2005-BT-001.
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.	Yes	N/A
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.	Yes	N/A
2004-BT-004	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.	Yes	N/A



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Betty Montgomery**

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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**