

***BETHLEHEM TOWNSHIP
COSHOCOTON COUNTY, OHIO***

AUDIT REPORT

FOR THE YEARS ENDED DECEMBER 31, 2009 & 2008

Charles E. Harris and Associates, Inc.
Certified Public Accountants and Government Consultants



Mary Taylor, CPA

Auditor of State

Board of Trustees
Bethlehem Township
42541 Township Road
Warsaw, Ohio 43844

We have reviewed the *Report of Independent Accountants* of Bethlehem Township, Coshocton County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2008 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 20, 2010

This Page is Intentionally Left Blank.

**BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
Audit Report
For the Years Ended December 31, 2009 & 2008**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Report of Independent Accountants	1-2
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2009	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2008	4
Notes to the Financial Statements	5-12
Independent Accountant's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	13-14
Schedule of Audit Findings	15-16
Schedule of Prior Audit Findings	17

Rockefeller Building
614 W Superior Ave Ste1242
Cleveland OH 44113-1306

Charles E. Harris & Associates, Inc.
Certified Public Accountants

Phone - (216) 575-1630
Fax - (216) 436-2411

REPORT OF INDEPENDENT ACCOUNTANTS

Bethlehem Township
Coshocton County
42541 Township Road 1192
Warsaw, Ohio 43844

To the Board of Trustees:

We have audited the accompanying financial statements of Bethlehem Township, Coshocton County, Ohio (the Township), as of and for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2009 and 2008. Instead of the combined funds the accompanying financial statements present for 2009 and 2008, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2009 and 2008. 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 the 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 years ended December 31, 2009 and 2008, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2009 and 2008, or its changes in financial position or its cash flows for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Bethlehem Township, Coshocton County, as of December 31, 2009 and 2008, and its combined cash receipts and disbursements and changes in fund cash balances for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2009 and 2008. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2010, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Charles E. Harris & Associates, Inc.

October 4, 2010

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY
 COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN FUND CASH BALANCES
 All Governmental Fund Types
 For the Year Ended December 31, 2009**

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Receipts:				
Property Taxes	\$ 53,474	\$ 41,805	-	\$ 95,279
Charges for Services	5,424	7,750	-	13,174
Intergovernmental	17,887	103,922	-	121,809
Earning on Investment	13	-	\$ 429	442
Other	1,289	4,000	-	5,289
Total Receipts	<u>78,087</u>	<u>157,477</u>	429	<u>235,993</u>
Disbursements:				
General Government	51,624	51,184	-	102,808
Public Works	211	84,743	-	84,954
Health	5,845	7,535	-	13,380
Capital Outlay	-	2,706	-	2,706
Total Disbursements	<u>57,680</u>	<u>146,168</u>	-	<u>203,848</u>
Total Receipts Over/(Under) Disbursements	20,407	11,309	429	32,145
Fund Cash Balance, January 1, 2009	<u>47,131</u>	<u>68,883</u>	<u>24,736</u>	<u>140,750</u>
Fund Cash Balance, December 31, 2009	<u>\$ 67,538</u>	<u>\$ 80,192</u>	<u>\$ 25,165</u>	<u>\$ 172,895</u>

See Accompanying Notes to the Financial Statements.

**BETHLEHEM TOWNSHIP
COSHOCTON COUNTY
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
All Governmental Fund Types
For the Year Ended December 31, 2008**

	<u>Governmental Fund Types</u>			<u>Totals- (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
Receipts:				
Property Taxes	\$ 53,244	\$ 41,156	-	\$ 94,400
Charges for Services	-	4,600	-	4,600
Intergovernmental	43,101	106,514	-	149,615
Earning on Investment	65	69.00	\$ 826	960
Fines, Licenses and Permits	75	-	-	75
Other	85	800	-	885
Total Receipts	<u>96,570</u>	<u>153,139</u>	<u>826</u>	<u>250,535</u>
Disbursements:				
General Government	59,803	49,774	-	109,577
Public Works	4,192	115,173	-	119,365
Health	5,999	7,008	-	13,007
Capital Outlay	-	614	-	614
Debt Service:				
Principal Retirement	-	13,683	-	13,683
Interest	-	2,180	-	2,180
Total Disbursements	<u>69,994</u>	<u>188,432</u>	<u>-</u>	<u>258,426</u>
Total Receipts Over/(Under) Disbursements	26,576	(35,293)	826	(7,891)
Fund Cash Balance, January 1, 2008	<u>20,555</u>	<u>104,176</u>	<u>23,910</u>	<u>148,641</u>
Fund Cash Balance, December 31, 2008	<u>\$ 47,131</u>	<u>\$ 68,883</u>	<u>\$ 24,736</u>	<u>\$ 140,750</u>

See Accompanying Notes to the Financial Statements.

BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Bethlehem Township, Coshocton County (the Township) is a body corporate and politic 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 road and bridge maintenance and cemetery maintenance. The Township contracts with the Walhonding Valley Fire District for fire services.

The Township's management believes these financial statements included in this report represent all of the funds of the Township over which the Township has the ability to exercise direct operating control.

B. BASIS OF ACCOUNTING

The Township prepares its financial statements following 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.)

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

C. CASH

Investments are included in the fund cash balances. 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 disbursements, respectively.

D. FUND ACCOUNTING

The Township maintains its accounting records in accordance with the principles of "Fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of

BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. FUND ACCOUNTING - (Continued)

specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity, which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Fund Types:

General Fund: The general operating fund of the Township. It is used to account for all financial resources except those required by law or contract to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for proceeds from special sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township has the following significant Special Revenue fund:

- Gasoline Tax Fund-Receives gasoline excise taxes to pay for constructing, maintaining and repairing Township roads and bridges.

Permanent Funds: These funds account for assets held under a trust agreement that are legally restricted to the extent that earnings, not principal, are available to support the Township's programs. The Township has the following significant Permanent Fund:

- Prairie Chapel Cemetery Endowment Fund-This fund receives interest on the nonexpendable corpus from a trust agreement. These funds are used for the maintenance and upkeep of the Township's cemetery.

E. BUDGETARY PROCESS

A budget of estimated cash receipts and disbursements is prepared by the Fiscal Officer, approved by the Township Board of Trustees, and 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.

BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS - (Continued)

1. Estimated Resources

The county auditor calculates the estimated revenues available to the Township. He prepares a certificate of estimated resources based upon this calculation and upon the other financial information supplied in the budget sent by the Township. The certificate is approved by the county budget commission and sent to the Township Fiscal Officer by September 1.

Prior to December 31, the Township must revise its budget so that the total budgeted expenditures for a fund will not exceed the amount of estimated resources stated in the certificate of estimated resources. The revised budget serves as the basis for the annual appropriation measure.

On or about January 1, the Fiscal Officer sends the county auditor a certificate which includes the actual unencumbered balances from the preceding year. The county auditor prepares an amended certificate, submits it to the county budget commission for approval. This amended certificate may be further amended during the year if projected revenue increases or the Fiscal Officer identifies decreases in revenue.

Budgeted receipts, as shown in Note 4, do not include the unencumbered fund balances as of January 1, 2008 and 2009. However, those fund balances are available for appropriation.

2. Appropriations

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

3. Encumbrances

The Township is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. BUDGETARY PROCESS- (Continued)

The sum of expenditures and encumbrances may not exceed appropriated totals at any level of budgetary control. The legal level of control is the object level.

Unencumbered appropriations lapse at year-end. Encumbrances outstanding at year end are cancelled and re-appropriated in the subsequent year.

F. PROPERTY, PLANT AND EQUIPMENT

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

G. ACCUMULATED LEAVE

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

2. EQUITY IN POOLED CASH AND CASH EQUIVALENTS

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

	<u>2009</u>	<u>2008</u>
Demand Deposits	\$151,895	\$119,750
Certificates of Deposit	21,000	21,000
Total	\$172,895	\$140,750

Deposits: Deposits are either (1) insured by the Federal Deposit Insurance Corporation, (2) collateralized by securities specifically pledged by the financial institution to the Township, or (3) collateralized by the financial institution's public entity deposit pool.

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008**

3. PROPERTY TAXES

Real property taxes are levied on assessed values, which equal 35% of appraised value. The county auditor reappraises all real property every six years with a triennial update.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. 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 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The State Board of Tax Equalization adjusts the tax rates for inflation. Real property owners' tax bills are further reduced by homestead and rollback deductions when applicable. The amount of these homestead and rollback reductions is reimbursed to the Township by the State of Ohio. The amounts reimbursed by the State of Ohio are reflected in the accompanying financial statements as intergovernmental receipts.

Public utilities are also taxed on personal and real property located within the Township. Tangible personal property tax is assessed on the property owners, who must file a list of such property to the County by each April 30.

The County Treasurer collects property tax on behalf of all taxing authorities within the county. The County Auditor periodically remits to the taxing authorities their portions of the taxes collected.

4. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2009 and 2008 follows:

<u>Fund:</u>	<u>2009 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$ 71,761	\$ 78,087	\$6,326
Special Revenue Funds	157,965	157,477	(488)
Permanent Fund	719	429	(290)

<u>Fund:</u>	<u>2009 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$122,428	\$57,680	\$64,748
Special Revenue Funds	223,391	146,168	77,223
Permanent Fund	25,376	-	25,376

BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
Notes to the Financial Statements
For the Years Ended December 31, 2009 and 2008

4. BUDGETARY ACTIVITY – (Continued)

<u>Fund:</u>	<u>2008 Budgeted vs Actual Receipts</u>		<u>Variance</u>
	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	
General Fund	\$71,484	\$96,570	\$25,086
Special Revenue Funds	158,091	153,139	(4,952)
Capital Projects Funds	712	826	114

<u>Fund:</u>	<u>2008 Budgeted vs Actual Budgetary Basis Expenditures</u>		<u>Variance</u>
	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	
General Fund	\$ 106,189	\$69,994	\$36,195
Special Revenue Funds	248,194	188,432	59,762
Permanent Fund	24,454	-	24,454

The Township was in violation of ORC Section 5705.39 which limits appropriations to estimated resources and ORC Section 5705.36(A) which prohibits the appropriation of the nonexpendable principal of a permanent fund.

5. RETIREMENT SYSTEM

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

Contribution rates are prescribed by the Ohio Revised Code. OPERS members contributed 10.0% of their gross pay while the Township contributed an amount equal to 14.00% of covered payroll for both years.

The Township paid all required contributions through 2009.

6. RISK MANAGEMENT

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

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008**

6. RISK MANAGEMENT – (Continued)

RISK POOL MEMBERSHIP

The Township belongs to the Ohio Government Risk Management Plan (“the Plan”), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 700 Ohio governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each member’s needs. The Plan pays judgments, settlements, and other expenses resulting from covered claims that exceed the member’s deductible. Although its exposure is concentrated to a single geographical area, such exposure is reduced by the practice of reinsuring no less than 90% of coverage provided, with the exception of its paid loss ratio cap on old casualty reinsurance layers.

Effective September 1, 2002, the Plan began retaining 5% of the premium and losses on the first \$500,000 casualty treaty and 5% of the first \$1,000,000 property treaty. Effective November 1, 2005, the Plan began retaining 15% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty.

In 2002, the Plan elected to participate in a loss corridor deductible in its first \$500,000 of casualty reinsurance to control reinsurance costs. The corridor includes losses paid between 55% and 65% of premiums earned under this treaty. If the Plan’s paid loss ratio reaches 55%, the Plan would pay all the losses incurred related to this treaty up to the next 10% of premiums earned. Reinsurance coverage would resume after a paid loss ratio of 65% is exceeded. Effective September 1, 2003, the corridor is for losses paid between 62% and 67% of premiums earned. Effective November, 2004, the corridor is for losses paid between 65% and 70% of premiums earned.

The Pool’s audited financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and member’s equity at December 31:

	<u>2009</u>	<u>2008</u>
Assets	\$11,176,186	\$10,471,114
Liabilities	<u>4,852,485</u>	<u>5,286,781</u>
Member’s Equity	<u>\$ 6,323,701</u>	<u>\$ 5,184,333</u>

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 Notes to the Financial Statements
 For the Years Ended December 31, 2009 and 2008**

6. RISK MANAGEMENT – (Continued)

You can read the complete audited financial statements for the Ohio Government Risk Management at the Plan’s website, www.ohioplan.org.

There have been no significant reductions in insurance coverage from the prior fiscal years and settled claims have not exceeded this commercial coverage in any of the last three years. The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

7. DEBT

Debt outstanding at December 31, 2009 is as follows:

<u>Description:</u>	<u>Principal</u>	<u>Interest Rate</u>
Capital Lease Purchase Agreement	\$29,476	5.05%

Principal and interest requirements for debt outstanding at December 31, 2009 is as follows:

<u>Year Ended</u>	<u>Capital Lease</u>
2010	\$15,863
2010	<u>15,863</u>
Total	<u>\$31,726</u>

8. CONTINGENT LIABILITES/SUBSEQUENT EVENTS

Management believes there are no pending claims or lawsuits.

Rockefeller Building
614 W Superior Ave Ste 1242
Cleveland OH 44113-1306
Office phone - (216) 575-1630
Fax - (216) 436-2411

Charles E. Harris & Associates, Inc.
Certified Public Accountants

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

Bethlehem Township
Coshocton County
42541 Township Road 1192
Warsaw, Ohio 43844

To the Board of Trustees:

We have audited the financial statements of Bethlehem Township, Coshocton County, Ohio (the Township) as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated October 4, 2010, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2009-BETH-01 and 02.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, the Board of Trustees and others within the Township. We intend it for no one other than these specified parties.

Charles E. Harris and Associates, Inc.

October 4, 2010

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 SCHEDULE OF AUDIT FINDINGS
 For the Years Ended December 31, 2009 and 2008**

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

Finding Number 2009-BETH-01 Non-Compliance

Appropriations Exceeded Estimated Resources

Ohio Revised Code Section 5705.39 states, in part, that "... The total appropriations from each fund shall not exceed the total of the estimated resources available for expenditure there from, as certified by the budget commission..." This section also provides that no appropriation measure shall become effective until the Township obtains the County Auditor’s certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources. Contrary to this requirement, the following funds had total appropriations in excess of estimated resources plus carryover balances:

2009

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$118,892	\$122,428	\$(3,536)

2008

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Variance</u>
General Fund	\$92,039	\$106,189	\$(14,150)

We noted that the above non compliance was the result of audit adjustments from prior audits which were not received by the clerk and booked until after the budgetary documents had been prepared and acted upon by the Township Trustees and County Auditor.

Management Response:

We did not receive a substantive response from management to the above finding.

**BETHLEHEM TOWNSHIP
COSHOCTON COUNTY, OHIO
SCHEDULE OF AUDIT FINDINGS - CONTINUED
For the Years Ended December 31, 2009 and 2008**

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

Finding Number 2009-BETH-02 Non Compliance

Ohio Revised Code Section 5705.36(A) prohibits a municipality from appropriating the nonexpendable principal of a permanent fund and authorizing the fiscal officer to spend that principal in violation of the trust agreement. In violation of this requirement, the principal of the cemetery fund, a permanent fund of the Township, was appropriated in 2009 and 2008. However, we noted that while the Township had appropriated the nonexpendable principal, there were no expenditures in either year.

We recommend the Township appropriate only the earnings on the nonexpendable principal of the cemetery fund.

Management Response:

We did not receive a substantive response from management to the above finding.

**BETHLEHEM TOWNSHIP
 COSHOCTON COUNTY, OHIO
 SCHEDULE OF PRIOR AUDIT FINDINGS
 For the Years Ended December 31, 2009 and 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2007-001	Trustee salaries improperly allocated	Yes	
2007-002	Finding for recovery: life insurance premiums not allowable expense	Yes	



Mary Taylor, CPA
Auditor of State

BETHLEHEM TOWNSHIP

COSHOCTON 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
JANUARY 4, 2011**