



**Auditor of State**  
**Betty Montgomery**



BETHLEHEM TOWNSHIP  
STARK COUNTY

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Bethlehem Township  
Stark County  
8600 Blough Avenue, SW  
P.O. Box 161  
Navarre, Ohio 44662

To the Board of Trustees:

We have audited the accompanying financial statements of Bethlehem Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed below, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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.

The Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Due to inadequate Emergency Medical Services (EMS) records, we were unable to form an opinion regarding the amount for Charges for Services receipts reported in the Special Revenue Fund Type totaling \$32,167 and \$32,050 for 2003 and 2002, respectively.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had EMS receipts been susceptible to satisfactory audit tests, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

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In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2004 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, the Board of Trustees and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 4, 2004

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$10,571	\$222,066	\$47,007		\$279,644
Intergovernmental	100,987	127,461			228,448
Special Assessments		911			911
Charges for Services		32,167			32,167
Earnings on Investments	2,796	913		\$2,317	6,026
Other Revenue	2,701	2,625			5,326
	<u>117,055</u>	<u>386,143</u>	<u>47,007</u>	<u>2,317</u>	<u>552,522</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	80,947	3,444			84,391
Public Safety	1,586	109,281			110,867
Public Works		228,329			228,329
Health	472				472
Conservation - Recreation	8,332				8,332
Debt Service:					
Redemption of Principal			34,780		34,780
Interest and Fiscal Charges			12,227		12,227
Capital Outlay	3,000	4,245			7,245
	<u>94,337</u>	<u>345,299</u>	<u>47,007</u>	<u>0</u>	<u>486,643</u>
<b>Total Cash Disbursements</b>					
<b>Total Receipts Over Disbursements</b>	<u>22,718</u>	<u>40,844</u>	<u>0</u>	<u>2,317</u>	<u>65,879</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In				40,000	40,000
Transfers-Out		(40,000)			(40,000)
Other Sources	7				7
	<u>7</u>	<u>(40,000)</u>	<u>0</u>	<u>40,000</u>	<u>7</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
<b>Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements and Other Financing Disbursements</b>	<u>22,725</u>	<u>844</u>	<u>0</u>	<u>42,317</u>	<u>65,886</u>
Fund Cash Balances, January 1	120,227	250,264	0	187,086	557,577
<b>Fund Cash Balances, December 31</b>	<u><b>\$142,952</b></u>	<u><b>\$251,108</b></u>	<u><b>\$0</b></u>	<u><b>\$229,403</b></u>	<u><b>\$623,463</b></u>

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

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>				<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
<b>Cash Receipts:</b>					
Local Taxes	\$10,394	\$224,440	\$47,007		\$281,841
Intergovernmental	70,829	120,130		\$76,965	267,924
Special Assessments		876			876
Charges for Services		32,050			32,050
Earnings on Investments	4,653	1,677		2,983	9,313
Other Revenue	4,532	230			4,762
<b>Total Cash Receipts</b>	<u>90,408</u>	<u>379,403</u>	<u>47,007</u>	<u>79,948</u>	<u>596,766</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	84,827	1,197			86,024
Public Safety	1,605	112,688			114,293
Public Works		223,140			223,140
Health	2,858				2,858
Conservation - Recreation	7,737				7,737
Debt Service:					
Redemption of Principal			32,790		32,790
Interest and Fiscal Charges			14,217		14,217
Capital Outlay		12,550		83,706	96,256
<b>Total Cash Disbursements</b>	<u>97,027</u>	<u>349,575</u>	<u>47,007</u>	<u>83,706</u>	<u>577,315</u>
Total Receipts Over/(Under) Disbursements	<u>(6,619)</u>	<u>29,828</u>	<u>0</u>	<u>(3,758)</u>	<u>19,451</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Transfers-In	18,500			19,000	37,500
Transfers-Out		(37,500)			(37,500)
Other Sources	19				19
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>18,519</u>	<u>(37,500)</u>	<u>0</u>	<u>19,000</u>	<u>19</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	11,900	(7,672)	0	15,242	19,470
Fund Cash Balances, January 1	108,327	257,936	0	171,844	538,107
<b>Fund Cash Balances, December 31</b>	<u><b>\$120,227</b></u>	<u><b>\$250,264</b></u>	<u><b>\$0</b></u>	<u><b>\$187,086</b></u>	<u><b>\$557,577</b></u>

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

BETHLEHEM TOWNSHIP  
STARK COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - NONEXPENDABLE TRUST FUND  
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<b>Cash Receipts:</b>		
Earnings on Investments	<u>\$86</u>	<u>\$137</u>
Fund Cash Balances, January 1	<u>7,708</u>	<u>7,571</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$7,794</u></u></b>	<b><u><u>\$7,708</u></u></b>

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

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**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Bethlehem Township, Stark County, Ohio, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, and zoning services. The Township contracts with the Bethlehem Township Fire and Rescue, Inc. to provide fire protection and emergency medical services.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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 and disbursements, respectively.

The Township invests in STAR Ohio (the State Treasurer's investment pool). Investments in STAR Ohio are recorded as share values reported by the state Treasurer.

**D. Fund Accounting**

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

**1. General Fund**

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

**2. Special Revenue Funds**

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

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

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

Fire District Fund - This fund receives semi-annual ax settlements for the purpose of providing fire protection for the residents of the Township.

**3. Debt Service Fund**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. The Township's only Debt Service Fund is the General Note Retirement Fund which is used to accumulate resources for the payment of principal and interest on the Township's New Township Hall note.

**4. Capital Project Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project funds

Land/Building Capital Projects Fund - This fund was established to account for the construction of the New Township Hall.

**5. Fiduciary Funds (Trust Funds)**

These funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a Nonexpendable Trust Fund. The Township had the following significant fiduciary funds:

The Shepler Cemetery Nonexpendable Trust Fund and the Sherman Cemetery Nonexpendable Trust Fund are used to account for monies donated for the perpetual care of the Cemeteries. The amount received is held as permanent funds, but the interest received from the investment of these monies are used to care for the Cemeteries.

**E. Budgetary Process**

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

**1. Appropriations**

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

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Budgetary Process (Continued)**

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2003 and 2002 budgetary activity appears in Note 3.

**F. Property, Plant and Equipment**

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

**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 INVESTMENTS**

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$37,544	\$21,532
STAR Ohio	593,713	543,753
Total deposits and investments	<u>\$631,257</u>	<u>\$565,285</u>

**Deposits:** Deposits are insured by the Federal Depository Insurance Corporation.

**Investments:** Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$113,122	\$117,062	\$3,940
Special Revenue	391,438	386,143	(5,295)
Debt Service	47,007	47,007	0
Capital Projects	43,584	42,317	(1,267)
Fiduciary	145	86	(59)
Total	\$595,296	\$592,615	(\$2,681)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$233,349	\$94,337	\$139,012
Special Revenue	641,704	385,299	256,405
Debt Service	47,007	47,007	0
Capital Projects	230,671	0	230,671
Fiduciary	7,854	0	7,854
Total	\$1,160,585	\$526,643	\$633,942

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$108,337	\$108,908	\$571
Special Revenue	403,409	379,403	(24,006)
Debt Service	47,007	47,007	0
Capital Projects	5,666	98,948	93,282
Fiduciary	304	137	(167)
Total	\$564,723	\$634,403	\$69,680

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$201,719	\$97,027	\$104,692
Special Revenue	648,232	387,075	261,157
Debt Service	47,007	47,007	0
Capital Projects	177,510	83,706	93,804
Fiduciary	7,876	0	7,876
Total	\$1,082,344	\$614,815	\$467,529

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

The Township has a \$178,254, 5.98% interest rate, Promissory Note outstanding at December 31, 2003. The Promissory Note relates to the Township offices and garage project. The note will be repaid in semiannual installments of \$23,504.

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

Year ending December 31:	Promissory Note
2004	\$47,008
2005	47,008
2006	47,008
2007	63,794
Total	<u><u>\$204,818</u></u>

**6. RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2003 and 2002, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance to full-time employees through the Ohio Township Association Hospitalization Program.

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

Casualty Coverage

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

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed 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 government.

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, 2002 and 2001 (the latest information available):

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2003 AND 2002  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Bethlehem Township  
Stark County  
8600 Blough Avenue, SW  
P.O. Box 161  
Navarre, Ohio 44662

To the Board of Trustees:

We have audited the accompanying financial statements of Bethlehem Township, Stark County, Ohio, (the Township) as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 4, 2004 wherein we noted that the Township's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. In addition, our report was qualified due to inadequate EMS records. Except as discussed in the preceding sentence, 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.

**Compliance**

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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted a certain immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated June 4, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings as item 2003-001.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable condition described above is considered to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated June 4, 2004.

This report is intended solely for the information and use of the audit committee, management, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

June 4, 2004

**BETHLEHEM TOWNSHIP  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2003 AND 2002**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2003-001**

**Material Weakness**

The Township has entered into an agreement with Bethlehem Fire and Rescue, Inc. (BFR) for the provision of emergency medical services (EMS) to Township residents. Under the agreement the Township establishes fees to be charged residents and BFR is responsible for billing, collection, and remittance fees. BFR has appointed an EMS Squad Captain oversees the provision of these services to the Township. The agreement further provides the Township will periodically remit 100% of such fees back to BFR in payment for its services. BFR has further contracted with a third party (Ohio Billing) to provide billing services.

**EMS Charges for Services**

The following conditions were noted during Charges for Services-EMS run receipts testing at the Township:

- Ohio Billing provides a Monthly Aging Report, Monthly Credit Report and Daily Posting Register to the EMS Squad Captain; however, evidence did not exist to support these reports were reviewed by the Township Trustees or Clerk for errors or irregularities nor reconciled to the BFR's Squad Run Activity Reports for completeness and accuracy.
- The EMS Squad Captain does not always timely remit Squad Run Activity Reports to Ohio Billing to be processed. In certain instances, Squad Activity Run Reports were held for periods up to 12 months subsequent the actual EMS run date. During 2003 and 2002, for example, a call date of August 25, 2002 was not submitted to Ohio Billing until September 6, 2003 and a call date of April 13, 2001 was not submitted to Ohio Billing until April 9, 2002, respectively.
- BFR has not completed the process necessary in order to become eligible for billing Medicaid or Medicare. As a result, multiple EMS Squad Run Activity Reports submitted to Ohio Billing to be processed cannot be forwarded to Medicaid or Medicare for subsequent reimbursement. The Township has lost an estimated \$300,000 in EMS revenue because of BFR's current inability to bill Medicaid or Medicare.
- The Township Trustees and Clerk do not monitor the EMS Squad Captain to ensure subsidiary ledgers are maintained to support amounts directly paid by individuals to the BFR for the portion not paid by the respective insurance company. Additionally, the Township Trustees and Clerk do not monitor the EMS Squad Captain to ensure direct payment information is provided to Ohio Billing timely to ensure the Aged Receivable Report is accurately updated.
- All EMS run receipts are directly collected by the EMS Squad Captain and subsequently deposited with the Township Clerk; however, evidence does not exist to support EMS run receipts recorded by the Township Clerk are reconciled to supporting documentation maintained by the EMS Squad Captain for completeness and accuracy.

**FINDING NUMBER 2003-001  
(Continued)**

- A Squad Run Policy and Procedural Manual does not exist which outlines specific roles and responsibilities of the EMS Squad Captain and Township Clerk.

As a result, errors or irregularities may not be detected timely, EMS squad run receipts could be misappropriated, significant EMS squad run receipts are not collected due to a lack of a Medicaid or Medicare provider number and delinquent EMS squad run accounts not pursued for collection could result in significant loss of revenue.

To help improve internal control over Charges for Services-EMS Receipts, the following should be implemented:

- The Township Trustees and Clerk should obtain and review copies of the Monthly Aging Report, Monthly Credit Report and Daily Posting Registers and initial and date the reports as evidence those reports were reviewed for errors and irregularities and reconciled to the Squad Run Reports.
- The Township Trustees and Clerk should establish procedures to reasonably ensure the EMS Squad Captain timely remits Squad Run Activity Reports to be processed.
- The Township Trustees and Clerk should establish procedures to reasonably ensure the EMS Squad Captain completes the required Medicaid documentation to obtain the Medicaid provider number.
- The Township Trustees and Clerk should establish procedures to reasonably ensure the EMS Squad Captain maintains subsidiary ledgers to support amounts directly paid by individuals to the BFR for the portion not paid by the respective insurance company. Additionally, the Township Trustees and Clerk should monitor the EMS Squad Captain to help ensure direct payment information is provided to Ohio Billing timely.
- The Township Clerk should reconcile monthly EMS run receipts recorded on the Township's financial statements to the Squad Run Activity Reports. As evidence the reconciliations are complete and accurate, the EMS Squad Captain and Township Clerk should initial and date these reconciliations.
- The Township Trustees and Clerk should establish procedures to reasonably ensure the EMS Squad Captain maintains records of EMS runs provided within the Township, properly submits information for those runs to Ohio Billing, reconciles runs submitted for billing with settled billings, and follows up with appropriate action on differences noted during the reconciliation. These procedures should also be designed to determine whether collections remitted to the Township represent all monies collected on runs occurring within the Township.
- The Township Trustees and Clerk should develop a Squad Run Policy and Procedural Manual that specifically outlines the role and responsibilities of the EMS Squad Captain and Township.

This will help ensure errors or irregularities are detected timely, EMS squad run receipts are not misappropriated, EMS squad runs are submitted to Medicaid/Medicare for reimbursement and delinquent accounts are pursued for collection.



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**BETHLEHEM TOWNSHIP**

**STARK 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  
AUGUST 5, 2004**