



Dave Yost • Auditor of State

BETHLEHEM TOWNSHIP
STARK COUNTY

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bethlehem Township
Stark County
P.O. Box 161
Navarre, Ohio 44662

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements and related notes of Bethlehem Township, Stark County, (the Township) as of and for the years ended December 31, 2013 and 2012.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2013 and 2012, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Bethlehem Township, Stark as of December 31, 2013 and 2012, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014, 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 internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

August 4, 2014

BETHLEHEM TOWNSHIP
STARK COUNTY

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2013**

| | General | Special Revenue | Capital Projects | Permanent | Totals (Memorandum Only) |
|--|------------------|--------------------|---------------------|----------------|--------------------------------|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$35,090 | \$320,150 | \$0 | \$0 | \$355,240 |
| Charges for Services | 0 | 62,248 | 0 | 0 | 62,248 |
| Licenses, Permits and Fees | 0 | 3,823 | 0 | 0 | 3,823 |
| Intergovernmental | 132,053 | 190,109 | 120,362 | 0 | 442,524 |
| Special Assessments | 0 | 1,017 | 0 | 0 | 1,017 |
| Earnings on Investments | 108 | 31 | 0 | 4 | 143 |
| Miscellaneous | 3,044 | 2,136 | 0 | 0 | 5,180 |
| <i>Total Cash Receipts</i> | <u>170,295</u> | <u>579,514</u> | <u>120,362</u> | <u>4</u> | <u>870,175</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 83,617 | 5,291 | 0 | 0 | 88,908 |
| Public Safety | 2,260 | 172,937 | 0 | 0 | 175,197 |
| Public Works | 220 | 393,459 | 120,362 | 0 | 514,041 |
| Health | 0 | 536 | 0 | 0 | 536 |
| Conservation-Recreation | 13,066 | 0 | 0 | 0 | 13,066 |
| Capital Outlay | 0 | 210 | 0 | 0 | 210 |
| <i>Total Cash Disbursements</i> | <u>99,163</u> | <u>572,433</u> | <u>120,362</u> | <u>0</u> | <u>791,958</u> |
| <i>Excess of Receipts Over Disbursements</i> | <u>71,132</u> | <u>7,081</u> | <u>0</u> | <u>4</u> | <u>78,217</u> |
| Other Financing (Disbursements) | | | | | |
| Other Financing Uses | (70,000) | 0 | 0 | 0 | (70,000) |
| <i>Total Other Financing (Disbursements)</i> | <u>(70,000)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(70,000)</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>1,132</u> | <u>7,081</u> | <u>0</u> | <u>4</u> | <u>8,217</u> |
| <i>Fund Cash Balances, January 1</i> | <u>107,494</u> | <u>477,362</u> | <u>190,000</u> | <u>9,266</u> | <u>784,122</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 9,270 | 9,270 |
| Restricted | 0 | 476,357 | 0 | 0 | 476,357 |
| Assigned | 0 | 8,086 | 190,000 | 0 | 198,086 |
| Unassigned | 108,626 | 0 | 0 | 0 | 108,626 |
| <i>Fund Cash Balances, December 31</i> | <u>\$108,626</u> | <u>\$484,443</u> | <u>\$190,000</u> | <u>\$9,270</u> | <u>\$792,339</u> |

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

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2012**

| | <u>General</u> | <u>Special Revenue</u> | <u>Capital Projects</u> | <u>Permanent</u> | <u>Totals (Memorandum Only)</u> |
|---|------------------|----------------------------|-----------------------------|------------------|---|
| Cash Receipts | | | | | |
| Property and Other Local Taxes | \$40,570 | \$348,427 | \$0 | \$0 | \$388,997 |
| Charges for Services | 0 | 44,913 | 0 | 0 | 44,913 |
| Licenses, Permits and Fees | 0 | 879 | 0 | 0 | 879 |
| Intergovernmental | 50,099 | 190,368 | 70,583 | 0 | 311,050 |
| Special Assessments | 0 | 1,095 | 0 | 0 | 1,095 |
| Earnings on Investments | 255 | 40 | 0 | 7 | 302 |
| Miscellaneous | 2,514 | 12,420 | 0 | 0 | 14,934 |
| <i>Total Cash Receipts</i> | <u>93,438</u> | <u>598,142</u> | <u>70,583</u> | <u>7</u> | <u>762,170</u> |
| Cash Disbursements | | | | | |
| Current: | | | | | |
| General Government | 133,676 | 405 | 0 | 0 | 134,081 |
| Public Safety | 3,496 | 162,811 | 0 | 0 | 166,307 |
| Public Works | 262 | 237,977 | 70,583 | 0 | 308,822 |
| Health | 0 | 300 | 0 | 0 | 300 |
| Conservation-Recreation | 11,338 | 0 | 0 | 0 | 11,338 |
| Capital Outlay | 7,500 | 195 | 0 | 0 | 7,695 |
| Debt Service: | | | | | |
| Principal Retirement | 0 | 23,103 | 0 | 0 | 23,103 |
| <i>Total Cash Disbursements</i> | <u>156,272</u> | <u>424,791</u> | <u>70,583</u> | <u>0</u> | <u>651,646</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(62,834)</u> | <u>173,351</u> | <u>0</u> | <u>7</u> | <u>110,524</u> |
| Other Financing Receipts (Disbursements) | | | | | |
| Transfers In | 0 | 0 | 70,000 | 0 | 70,000 |
| Transfers Out | 0 | (70,000) | 0 | 0 | (70,000) |
| <i>Total Other Financing Receipts (Disbursements)</i> | <u>0</u> | <u>(70,000)</u> | <u>70,000</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Cash Balances</i> | <u>(62,834)</u> | <u>103,351</u> | <u>70,000</u> | <u>7</u> | <u>110,524</u> |
| <i>Fund Cash Balances, January 1</i> | <u>170,328</u> | <u>374,011</u> | <u>120,000</u> | <u>9,259</u> | <u>673,598</u> |
| Fund Cash Balances, December 31 | | | | | |
| Nonspendable | 0 | 0 | 0 | 9,266 | 9,266 |
| Restricted | 70,000 | 405,852 | 0 | 0 | 475,852 |
| Committed | 0 | 66,759 | 0 | 0 | 66,759 |
| Assigned | 0 | 4,751 | 190,000 | 0 | 194,751 |
| Unassigned | 37,494 | 0 | 0 | 0 | 37,494 |
| <i>Fund Cash Balances, December 31</i> | <u>\$107,494</u> | <u>\$477,362</u> | <u>\$190,000</u> | <u>\$9,266</u> | <u>\$784,122</u> |

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

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Bethlehem Township, Stark County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, zoning services and cemetery maintenance services. The Township contracts with Bethlehem Township Fire and Rescue, Inc. to provide fire protection and ambulance services.

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

B. Accounting Basis

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Deposits and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

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 accounts for and reports all financial resources not accounted for and reported in another fund.

2. Special Revenue Funds

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (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 property tax money for the purpose of providing fire protection for the residents of the Township.

Road District Fund - This fund receives property tax money for the purpose of road maintenance.

3. Capital Project Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

OPWC - Lawndell/Woodlawn Intersection Improvement Fund – This fund records receipts provided by and expenditures paid directly to Township’s construction vendors by the Ohio Public Works Commission for improvements to the Lawndell/Woodlawn intersection.

OPWC - Crestline Intersection Improvement Fund – This fund records receipts provided by and expenditures paid directly to Township’s construction vendors by the Ohio Public Works Commission for improvements to the Crestline intersection.

4. Permanent Funds

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government’s programs (for the benefit of the government or its citizenry).

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2013 and 2012 budgetary activity appears in Note 3.

F. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

1. Nonspendable

The Township classifies assets as nonspendable when legally or contractually required to maintain the amounts intact.

2. Restricted

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

3. Committed

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

4. Assigned

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

5. Unassigned

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

1. Summary of Significant Accounting Policies – (Continued)

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

G. Property, Plant, and Equipment

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

H. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Deposits and Investments

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

| | 2013 | 2012 |
|--------------------------------|-----------|-----------|
| Demand deposits | \$573,567 | \$565,436 |
| Total deposits | 573,567 | 565,436 |
| STAR Ohio | 218,772 | 218,686 |
| Total investments | 218,772 | 218,686 |
| Total deposits and investments | \$792,339 | \$784,122 |

Deposits: Deposits are insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution’s public entity deposit pool.

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, 2013 AND 2012
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2013 and 2012 follows:

2013 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-------------------|
| General | \$87,049 | \$170,295 | \$83,246 |
| Special Revenue | 623,498 | 579,514 | (43,984) |
| Capital Projects | 220,280 | 120,362 | (99,918) |
| Permanent | 0 | 4 | 4 |
| Total | <u>\$930,827</u> | <u>\$870,175</u> | <u>(\$60,652)</u> |

2013 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$194,277 | \$169,839 | \$24,438 |
| Special Revenue | 1,100,078 | 580,438 | 519,640 |
| Capital Projects | 410,280 | 120,362 | 289,918 |
| Permanent | 0 | 0 | 0 |
| Total | <u>\$1,704,635</u> | <u>\$870,639</u> | <u>\$833,996</u> |

2012 Budgeted vs. Actual Receipts

| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
|------------------|----------------------|--------------------|-----------------|
| General | \$90,595 | \$93,438 | \$2,843 |
| Special Revenue | 551,855 | 598,142 | 46,287 |
| Capital Projects | 161,485 | 140,583 | (20,902) |
| Permanent | 0 | 7 | 7 |
| Total | <u>\$803,935</u> | <u>\$832,170</u> | <u>\$28,235</u> |

2012 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
|------------------|----------------------------|---------------------------|------------------|
| General | \$258,317 | \$156,272 | \$102,045 |
| Special Revenue | 928,472 | 532,257 | 396,215 |
| Capital Projects | 211,485 | 70,583 | 140,902 |
| Permanent | 9,223 | 0 | 9,223 |
| Total | <u>\$1,407,497</u> | <u>\$759,112</u> | <u>\$648,385</u> |

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

4. Property Tax

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

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

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

5. Retirement Systems

The Township's elected officials and other employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2013 and 2012, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2013.

6. Risk Management

Risk Pool Membership

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss, except OPRM retains 41.5% (effective November 1, 2011) of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2012 the plan increased its retention to 50% of the first \$250,000 casualty treaty. The Plan's property retention remained unchanged from prior years. This change was made to balance the reinsurance market conditions. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 767 and 765 members as of December 31, 2012 and 2011 respectively.

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)**

6. Risk Management – (Continued)

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available).

| | <u>2012</u> | <u>2011</u> |
|-----------------|--------------------|--------------------|
| Assets | \$13,100,381 | \$12,501,280 |
| Liabilities | <u>(6,687,193)</u> | <u>(5,328,761)</u> |
| Members' Equity | <u>\$6,413,188</u> | <u>\$7,172,519</u> |

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

7. Subsequent Events

On April 15, 2014, Pat Winkhart, Fiscal Officer, retired effective July 31, 2014.

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Dave Yost • Auditor of State

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

Bethlehem Township
Stark County
P.O. Box 161
Navarre, Ohio 44662

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Bethlehem Township, Stark County, (the Township) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2014 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-02-03 (D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

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 a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2013-001 and 2013-002 described in the accompanying schedule of findings to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

August 4, 2014

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2013 AND 2012**

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

Fire and Ambulance Service and Billing Organization

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2013-001 |
|-----------------------|----------|

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 to oversee 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. The Township has not established procedures to determine whether this service organization has sufficient controls in place and operating effectively to reduce the risk of fire and ambulance run services and billings are not being completely and accurately processed in accordance with the fire and ambulance service and billing contract.

BFR has further contracted with a third party (Ohio Billing) to provide billing services. 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 Fiscal Officer for errors or irregularities nor reconciled to the BFR’s Squad Run Activity Reports for completeness and accuracy.

The Township should help assure the completeness and accuracy (including eligibility and allowability) of fire and ambulance run services and billings processed by its third-party administrator. Statement of Auditing Standards for Attestation Engagement (SSAE) No. 16, as amended, prescribes standards for reporting on service organizations. An unqualified SOC 1 Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness in accordance with SSAE No. 16 should provide the Township with reasonable assurance fire and ambulance run transactions conform to the contract.

In addition, the Trustees and Fiscal Officer 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.

Posting Receipts and Disbursements

| | |
|-----------------------|----------|
| <i>Finding Number</i> | 2013-002 |
|-----------------------|----------|

MATERIAL WEAKNESS

Receipts and disbursements should be posted to the fund and line item classification as established by the Ohio Administrative Code.

During 2013 and 2012, various receipts and disbursements were not posted to correct funds and/or accurate classifications based on the source of the receipt or disbursement. The following errors were noted:

- During 2013, intergovernmental receipts and public works disbursements from the Ohio Public Works Commission (OPWC) in the amounts of \$6,311 and \$10,789 were recorded in the general and special revenue funds, respectively, rather than the capital project funds.
- During 2012, intergovernmental receipts and public works disbursements from the OPWC were overstated by \$20,902.

Not posting revenues and disbursements accurately resulted in the financial statements requiring several reclassifications and adjustments. The Township has made all adjustments to its accounting system, and the financial statements reflect all reclassifications and adjustments.

To help ensure accuracy and reliability in the financial reporting process, we recommend management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues and disbursements are properly identified and classified on the financial statements. We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

Official's Response: We did not receive a response from the officials.

**BETHLEHEM TOWNSHIP
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2013 AND 2012**

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|-----------------------|--|-------------------------|--|
| 2011-001 | EMS Charges for Services – no evidence of a review of Ohio Billing reports by fiscal officer or trustees | No | Not Corrected |
| 2011-002 | Posting Receipts and Disbursements – improper classification of receipts and disbursements | No | Not Corrected |

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Dave Yost • Auditor of State

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
SEPTEMBER 16, 2014**