



**BETHEL TOWNSHIP
CLARK COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2005



**Auditor of State
Betty Montgomery**

**BETHEL TOWNSHIP
CLARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets – Modified Cash Basis – December 31, 2005.....	9
Statement of Activities – Modified Cash Basis – December 31, 2005.....	10
Fund Financial Statements:	
Statement of Modified Cash Basis Assets and Fund Balances - Governmental Funds – December 31, 2005.....	11
Statement of Cash Receipts, Disbursements and Changes in Modified Cash Fund Balances - Governmental Funds - December 31, 2005	12
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual - Budget Basis - General Fund For the Fiscal Year Ended December 31, 2005	13
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual - Budget Basis - Road and Bridge Fund For the Fiscal Year Ended December 31, 2005	14
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual - Budget Basis - Fire District Fund For the Fiscal Year Ended December 31, 2005	15
Statement of Receipts, Disbursements and Changes in Fund Balance Budget and Actual - Budget Basis – Ambulance and Emergency Medical Services Fund For the Fiscal Year Ended December 31, 2005	16
Notes to the Financial Statements	17
Independent Accountants' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters as Required by Government Auditing Standards	29
Schedule of Findings.....	31
Schedule of Prior Audit Findings.....	33

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Bethel Township
Clark County
11300 West National Road
New Carlisle, Ohio 45344

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Township, Clark County, (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2005, and the respective changes in modified cash financial position and the respective budgetary comparison for the General and each major special revenue funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.



Betty Montgomery
Auditor of State

September 22, 2006

**BETHEL TOWNSHIP
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)**

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

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities increased \$183,917, or 11.4 percent, a significant change from prior year. The funds most affected by the increase are the Fire District and Ambulance and Emergency Medical Services Fund; however, cost increases negatively affected most funds.
- The Township's general receipts are primarily property taxes and state levied taxes. These receipts represent 54, and 13 percent respectively of the Township's receipts.
- During September 2005, the Township entered into a contract with the Clark County Sheriff's department for Fire and EMS Dispatching. This contract will save the Township \$10,000-\$20,000 a year.
- Health care insurance increased approximately 15.5% from 2004 to 2005, showing an increase of costs for the General Fund and Road & Bridge Fund. Also, the cost of fuel rose significantly during the last half of 2005 affecting most funds.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

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

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

Basis of Accounting

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

**BETHEL TOWNSHIP
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)
(Continued)**

Reporting the Township as a Whole

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

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

Reporting the Township's Most Significant Funds

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

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined to present in total in a single column. The Township's major funds include General Fund, Road & Bridge Fund, Fire District Fund, and Ambulance and Emergency Medical Services Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)
(Continued)**

The Township as a Whole

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

**(Table 1)
Net Assets**

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash		
Equivalents	\$1,786,205	\$1,602,288
Total Assets	1,786,205	1,602,288
Net Assets		
Restricted For:		
Other Purposes	1,158,333	1,005,221
Unrestricted	627,872	597,067
Total Net Assets	\$1,786,205	\$1,602,288

As mentioned previously, net assets of governmental activities increased \$183,917, or 11.5 percent, during 2005. The primary reason for the increase is the decrease of spending in the Fire District Fund and the Ambulance and Emergency Medical Services Fund. These funds decreased their spending \$79,766 and \$42,192, or 12.23% and 23.95%, respectively.

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

**(Table 2)
Changes in Net Assets**

	Governmental Activities 2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$241,498
Operating Grants and Contributions	356,937
Total Program Receipts	598,435
General Receipts:	
Property and Other Local Taxes	1,199,376
Grants and Entitlements Not	
Restricted to Specific Programs	280,797
Sale of Fixed Assets	7,606
Interest	42,444
Miscellaneous	13,632
Total General Receipts	1,543,855
Total Receipts	2,142,290

**BETHEL TOWNSHIP
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)
(Continued)**

Disbursements:	
General Government	174,302
Public Safety	860,298
Public Works	461,499
Health	174,744
Human Services	
Conservation-Recreation	86,489
Other	
Capital Outlay	201,041
Total Disbursements	1,958,373
Increase (Decrease) in Net Assets	183,917
Net Assets, January 1, 2005	1,602,288
Net Assets, December 31, 2005	\$1,786,205

Program receipts represent only 27.93 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, sales of cemetery lots and charges associated with burials, charges for ambulance and emergency medical services and assessment to real estate taxes for providing lighting in lighting districts.

General receipts represent 72.07 percent of the Township's total receipts, and of this amount over 74 percent are property taxes. State and Federal Grants and Entitlements make up 18.19 percent and Earnings on Investments make up 2.75 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include costs of the Township Trustees, the Township Fiscal Officer and the costs of maintaining the Township administrative building. Public Safety and Public Works include the costs of police, fire and EMS services, and the road department. Health includes those costs of a contract to a county-wide health agency for public health services. Conservation and recreation include costs to maintain the parks within the community. Capital outlay includes purchases related to equipment, vehicles, or buildings.

Governmental Activities

If you look at the Statement of Activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Safety and Public Works, which account for 44 and 23.6 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 9 percent. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The Net Receipt (Disbursement) columns compare the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

**BETHEL TOWNSHIP
CLARK COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Unaudited)
(Continued)**

**(Table 3)
Governmental Activities**

	<u>Total Cost of Services 2005</u>	<u>Net Cost of Services 2005</u>
General Government	\$174,302	(\$174,302)
Public Safety	860,298	(596,977)
Public Works	461,499	(176,814)
Health	174,744	(171,294)
Human Services		
Conservation-Recreation	86,489	(39,510)
Other		
Capital Outlay	201,041	(201,041)
Total Expenses	<u>\$1,958,373</u>	<u>(\$1,359,938)</u>

The dependence upon property tax receipts is apparent as over 84 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$2,142,290 and disbursements of \$1,958,373. The greatest changes occurred within the Fire District and Ambulance and Emergency Medical Services Funds. Both funds had increases in fund balance due to the decrease in disbursements and a stabilization of receipts. Decreases of disbursements were \$79,766 and \$42,192, respectively. Both departments have plans for larger purchases in future years.

Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transaction on a basis of cash receipts, disbursements, and encumbrance.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on real estate taxes and have very little industry to support the tax base. Also, the costs of health care, fuel, utilities (gas & electric), and other expenses are rising while revenues remain mostly stable, will eventually create deficits. The Township's strategy is to try to save money where possible.

Contacting the Township's Fiscal Officer

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Melanie M. Cochran, Township Fiscal Officer, Bethel Township, PO Box 225, New Carlisle, Ohio 45344

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BETHEL TOWNSHIP
CLARK COUNTY

STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>Total Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Cash Equivalents	<u>\$1,786,205</u>
Total Assets	<u><u>1,786,205</u></u>
Net Assets:	
Restricted for:	
Other Purposes	1,158,333
Unrestricted	<u>627,872</u>
Total Net Assets	<u><u>\$1,786,205</u></u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

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

	<u>Program Cash Receipts</u>		<u>Net (Disbursements) Receipts and Changes in Net Assets</u>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General Government	\$174,302			(\$174,302)
Public Safety	860,298	188,213	75,108	(596,977)
Public Works	461,499	49,835	234,850	(176,814)
Health	174,744	3,450		(171,294)
Conservation-Recreation	86,489		46,979	(39,510)
Capital Outlay	201,041			(201,041)
Total Governmental Activities	<u>\$1,958,373</u>	<u>\$241,498</u>	<u>\$356,937</u>	<u>(1,359,938)</u>
General Receipts:				
Property Taxes				1,144,278
Other Taxes				55,098
Grants and Entitlements not Restricted to Specific Programs				280,797
Sale of Fixed Assets				7,606
Earnings on Investments				42,444
Miscellaneous				13,632
Total General Receipts				<u>1,543,855</u>
Change in Net Assets				183,917
Net Assets Beginning of Year				<u>1,602,288</u>
Net Assets End of Year				<u>\$1,786,205</u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Fire District</u>	<u>Ambulance and Emergency Medical Services</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in Pooled Cash and Cash Equivalents	<u>\$627,872</u>	<u>\$102,366</u>	<u>\$364,336</u>	<u>\$243,339</u>	<u>\$448,292</u>	<u>\$1,786,205</u>
Total Assets	<u>627,872</u>	<u>102,366</u>	<u>364,336</u>	<u>243,339</u>	<u>448,292</u>	<u>1,786,205</u>
Fund Balances:						
Reserved:						
Reserved for Encumbrances	5,750		19,176	595		25,521
Reserved for Cemetery Bequest					700	700
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	622,122					622,122
Special Revenue Funds		102,366	345,160	242,744	446,738	1,137,008
Permanent Fund					854	854
Total Fund Balances	<u>\$627,872</u>	<u>\$102,366</u>	<u>\$364,336</u>	<u>\$243,339</u>	<u>\$448,292</u>	<u>\$1,786,205</u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

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

	General	Road and Bridge	Fire District	Amulance and Emergency Medical Services	Other Governmental Funds	Total
Receipts:						
Property and Other Local Taxes		\$207,865	\$648,822		\$287,591	\$1,144,278
Charges for Services				183,067		183,067
Licenses, Permits and Fees	55,098	2,384			2,550	60,032
Fines and Forfeitures	5,146					5,146
Intergovernmental	162,812	33,443	80,491		360,988	637,734
Special Assessments					47,451	47,451
Earnings on Investments	36,706				5,738	42,444
Miscellaneous	7,213	885	5,534		900	14,532
Total Receipts	266,975	244,577	734,847	183,067	705,218	2,134,684
Disbursements:						
Current:						
General Government	174,302					174,302
Public Safety	1,321		500,637	134,004	224,336	860,298
Public Works	3,382	244,137			213,980	461,499
Health	12,066				162,678	174,744
Conservation-Recreation	39,510				46,979	86,489
Capital Outlay	5,659		71,772		123,610	201,041
Total Disbursements	236,240	244,137	572,409	134,004	771,583	1,958,373
Excess of Receipts Over (Under) Disbursements	30,735	440	162,438	49,063	(66,365)	176,311
Other Financing Sources (Uses):						
Sale of Fixed Assets	70	1,620	5,915		1	7,606
Advances In	47,000				47,000	94,000
Advances Out	(47,000)				(47,000)	(94,000)
Total Other Financing Sources (Uses)	70	1,620	5,915		1	7,606
Net Change in Fund Balances	30,805	2,060	168,353	49,063	(66,364)	183,917
Fund Balances Beginning of Year	597,067	100,306	195,983	194,276	514,656	1,602,288
Fund Balances End of Year	\$627,872	\$102,366	\$364,336	\$243,339	\$448,292	\$1,786,205

See accompanying notes to the basic financial statements

**BETHEL TOWNSHIP
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Licenses, Permits and Fees	\$52,000	\$52,000	\$55,098	\$3,098
Fines and Forfeitures	11,000	11,000	5,146	(5,854)
Intergovernmental	80,881	80,881	162,812	81,931
Earnings on Investments	38,000	38,000	36,706	(1,294)
Miscellaneous	4,500	4,500	7,213	2,713
	<u>186,381</u>	<u>186,381</u>	<u>266,975</u>	<u>80,594</u>
Disbursements:				
Current:				
General Government	262,661	262,661	180,052	82,609
Public Safety	33,000	33,000	1,321	31,679
Public Works	45,000	45,000	3,382	41,618
Health	55,658	55,658	12,066	43,592
Conservation-Recreation	52,000	52,000	39,510	12,490
Capital Outlay	80,000	80,000	5,659	74,341
	<u>528,319</u>	<u>528,319</u>	<u>241,990</u>	<u>286,329</u>
Receipts Over (Under) Disbursements	<u>(341,938)</u>	<u>(341,938)</u>	<u>24,985</u>	<u>366,923</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets			70	70
Transfers Out	(25,000)	(25,000)		25,000
Advances In			47,000	47,000
Advances Out	(30,000)	(30,000)	(47,000)	(17,000)
Other Financing Sources	4	4		(4)
Other Financing Uses	(200,008)	(200,008)		200,008
	<u>(255,004)</u>	<u>(255,004)</u>	<u>70</u>	<u>255,074</u>
Net Change in Fund Balance	(596,942)	(596,942)	25,055	621,997
Fund Balance Beginning of Year	596,942	596,942	596,942	
Prior Year Encumbrances Appropriated	125	125	125	
Fund Balance End of Year	<u><u>\$125</u></u>	<u><u>\$125</u></u>	<u><u>\$622,122</u></u>	<u><u>\$621,997</u></u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property and Other Local Taxes	\$205,335	\$205,335	\$207,865	\$2,530
Licenses, Permits and Fees	250	250	2,384	2,134
Intergovernmental	3,580	3,580	33,443	29,863
Miscellaneous	4,000	4,000	885	(3,115)
Total Receipts	<u>213,165</u>	<u>213,165</u>	<u>244,577</u>	<u>31,412</u>
Disbursements:				
Current:				
Public Works	313,471	313,471	244,137	69,334
Total Disbursements	<u>313,471</u>	<u>313,471</u>	<u>244,137</u>	<u>69,334</u>
Receipts Over (Under) Disbursements	<u>(100,306)</u>	<u>(100,306)</u>	440	<u>100,746</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets			1,620	1,620
Total Other Financing Sources (Uses)			<u>1,620</u>	<u>1,620</u>
Net Change in Fund Balance	(100,306)	(100,306)	2,060	102,366
Fund Balance Beginning of Year	<u>100,306</u>	<u>100,306</u>	<u>100,306</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$102,366</u></u>	<u><u>\$102,366</u></u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
Receipts:				
Property and Other Local Taxes	\$713,206	\$713,206	\$648,822	(\$64,384)
Charges for Services	25	25		(25)
Intergovernmental			80,491	80,491
Miscellaneous	4,900	4,900	5,534	634
	<u>718,131</u>	<u>718,131</u>	<u>734,847</u>	<u>16,716</u>
Disbursements:				
Current:				
Public Safety	545,000	545,000	501,406	43,594
Capital Outlay	219,114	219,114	90,179	128,935
	<u>764,114</u>	<u>764,114</u>	<u>591,585</u>	<u>172,529</u>
Excess of Receipts Over (Under) Disbursements	<u>(45,983)</u>	<u>(45,983)</u>	<u>143,262</u>	<u>189,245</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets			5,915	5,915
Other Financing Uses	(150,000)	(150,000)		150,000
	<u>(150,000)</u>	<u>(150,000)</u>	<u>5,915</u>	<u>155,915</u>
Net Change in Fund Balance	(195,983)	(195,983)	149,177	345,160
Fund Balance Beginning of Year	<u>195,983</u>	<u>195,983</u>	<u>195,983</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$345,160</u></u>	<u><u>\$345,160</u></u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
AMBULANCE AND EMERGENCY MEDICAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts:				
Charges for Services	\$220,000	\$220,000	\$183,067	(\$36,933)
Miscellaneous	300	300		(300)
Total Receipts	<u>220,300</u>	<u>220,300</u>	<u>183,067</u>	<u>(37,233)</u>
Disbursements:				
Current:				
Public Safety	344,576	344,576	134,599	209,977
Total Disbursements	<u>344,576</u>	<u>344,576</u>	<u>134,599</u>	<u>209,977</u>
Receipts Over (Under) Disbursements	<u>(124,276)</u>	<u>(124,276)</u>	<u>48,468</u>	<u>172,744</u>
Other Financing Sources (Uses):				
Other Financing Uses	(70,000)	(70,000)		70,000
Total Other Financing Sources (Uses)	<u>(70,000)</u>	<u>(70,000)</u>		<u>70,000</u>
Net Change in Fund Balance	(194,276)	(194,276)	48,468	242,744
Fund Balance Beginning of Year	<u>194,276</u>	<u>194,276</u>	<u>194,276</u>	
Fund Balance End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$242,744</u></u>	<u><u>\$242,744</u></u>

See accompanying notes to the basic financial statements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

1. REPORTING ENTITY

Bethel Township, Clark County, (the Township), is a body politic and corporate 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 also has an elected Township Clerk.

The Township provides general government services, maintenance of Township roads and bridges, fire protection and emergency medical services, and cemetery maintenance. The Township contracts with the Clark County Sheriff to provide police protection.

A. Primary Government

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. For the Township, this includes general operations.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township. The Township does not have any component units.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a modified cash basis or draws from the Township's general receipts.

2. Fund Financial Statements

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

B. Fund Accounting

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

1. Governmental Funds

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

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire District Fund- This fund receives tax monies assessed and levied on general assessed valuation of real and personal property and is utilized for the operation of the fire department.

Ambulance and Emergency Medical Services Fund- This fund receives monies from billings for services and is utilized for the operation of EMS services.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

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

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

D. Budgetary Process

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

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

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

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

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

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

During 2005, the Township invested in a money market fund, and STAR Ohio. The Township's money market fund investment is recorded at the amount reported by Wesbanco on December 31, 2005.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2005.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$36,706.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

L. Long-Term Obligations

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

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

N. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances and Cemetery Bequests.

O. Interfund Transactions

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

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

3. CHANGE IN BASIS OF ACCOUNTING

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

4. COMPLIANCE

The Township did not routinely certify the availability of funds prior to obligation for disbursements.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

5. BUDGETARY BASIS OF ACCOUNTING

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (modified cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$5,750 for the general fund, \$19,176 for the Fire District Fund and \$595 for the Ambulance and Emergency Services Fund.

6. DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

6. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$1,757,550 of the Township's bank balance of \$1,866,416 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

B. Investments

The Township's only investment at December 31, 2005 was in STAR Ohio, an investment pool operated by the Ohio State Treasurer. STAR Ohio is an uninsured and uncollateralized investment since it is not evidenced by securities that exist in physical or book entry form. STAR Ohio had a fair value of \$11,578 at December 31, 2005 and was rated AAAM by Standard and Poors. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

7. PROPERTY TAXES

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

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

7. PROPERTY TAXES (Continued)

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

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

The full tax rate for all Township operations for the year ended December 31, 2005, was \$70.252 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential/Agriculture	\$157,849,600
Commercial/Industrial	17,492,490
Public Utility Personal	5,381,390
Property	
Tangible Personal Property	<u>12,738,320</u>
Total Assessed Value	<u>\$193,461,800</u>

8. RISK MANAGEMENT

The Township is exposed to various risks of property and casualty losses, and injuries to employees. The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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 townships 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 occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA. If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

8. RISK MANAGEMENT (Continued)

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also, upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

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, 2005 and 2004

Casualty Coverage	2005	2004
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	\$18,141,062	\$17,046,241
Property Coverage	2005	2004
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	\$7,771,765	\$7,045,167

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

9. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2005, the members of all three plans were required to contribute 8.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005 and 2004 were \$35,938 and \$41,492 respectively. The full amount has been contributed for 2005 and 2004.

10. POST-EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Post-employment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases.

**BETHEL TOWNSHIP
CLARK COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005
(Continued)**

10. POSTEMPLOYMENT BENEFITS (Continued)

Health care premiums were assumed to increase between 1 and 6 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006, which will allow additional funds to be allocated to the health care plan.

11. CONTINGENT LIABILITIES

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, they believe the resolution of this matter will not materially adversely affect the Township's financial condition.

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

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Auditor of State Betty Montgomery

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

Bethel Township
Clark County
11300 West National Road
New Carlisle, Ohio 45344

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bethel Township (the Township) as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated September 22, 2006. We noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 material weaknesses. We consider reportable condition 2005-001 listed above to be a material weakness. In a separate letter to the Township's management dated September 22, 2006, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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, providing an opinion 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 an instance of noncompliance or other matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-002. In a separate letter to the Township's management dated September 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the management and Board of Trustees. It is not intended for anyone other than these specified parties.



Betty Montgomery
Auditor of State

September 22, 2006

**BETHEL TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2005-001

Emergency Medical Services Billings and Service Organization

The Township delegated emergency medical services (EMS) billing and collection services to a third-party administrator. The Township prepared individual EMS run forms which were submitted to the service organization, in the name of the Township, for billing and collection. Payments were received directly by the Township and posted to the general ledger. However, the Township did not perform any reconciliation or monitoring of the amounts received versus the amounts submitted to be billed and collected. Additionally, the Township did not establish procedures to determine whether the service organization had sufficient controls in place and operating effectively to reduce the risk that these services have not been completely and accurately processed in accordance with the Township's contract.

The Township should develop and implement procedures to monitor the activity of the service organization's processing of the Township's EMS accounts for reasonableness. This procedure should provide assurance over the completeness and accuracy of billing and should reduce the risk of errors or omissions by the service organization. This may be accomplished by an annual audit of the service provider processing. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70, should provide the Township with an appropriate level of assurance that EMS billings are being processed in conformance with the contract. Such an audit has not been performed on the provider for the period.

The Township should consider specifying in their next contract with the third-party administrator that an annual Tier II SAS #70 audit report be performed and conducted in accordance with American institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective state. The Township should be provided a copy of the SAS 70 report timely and should review the report's content. If the third-party administrator refuses to provide a Tier II SAS 70 report, we recommend that the Township only contract with a third-party administrator that will provide such a report.

FINDING NUMBER 2005-002

Ohio Rev. Code 5705.41(D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FINDING NUMBER 2005-002
(Continued)

1. **“Then and Now” certificate:** If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by Township.
2. **Blanket certificate:** Fiscal officers may prepare “blanket” certificates for a sum not exceeding an amount established by resolution or ordinance adopted by members of the legislative authority against any specific line item account over a period not running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. **Super Blanket certificate:** The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any one line item appropriation.

The Township failed to properly certify 19% of expenditures during 2005 and there was no evidence that the Township followed the aforementioned exceptions. Additionally, it was noted the policing contract with the Clark County Sheriff’s Office for 2005 was not certified, which amounted to \$143,859.58 or 11.85% of 2005 expenditures. Failure to properly certify the availability of funds can result in misappropriation of monies and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility that Township funds will exceed budgetary spending limitations, the Township’s Clerk certify, if correct, that the funds are or will be available prior to the obligation by the Township. When prior certification is not possible, “then and now” certification should be used. The Township should certify all purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**BETHEL TOWNSHIP
CLARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2004-001	The Township should obtain a Tier 2 SAS 70 audit for their emergency medical services billings organization or implement monitoring procedures	No	Not Corrected; Service Provider has a Tier I SAS 70 Completed; Comment Repeated
2004-002	ORC Sec. 5705.41(D) – Clerk failed to certify funds available prior to expenditures	No	Not Corrected; Comment Repeated



**Auditor of State
Betty Montgomery**

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BETHEL TOWNSHIP

CLARK 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
OCTOBER 19, 2006**