

BATH TOWNSHIP, SUMMIT COUNTY

AUDIT REPORT

For the Year Ended December 31, 2004

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Bath Township
Akron, Ohio

We have reviewed the *Report of Independent Accountants* of Bath Township, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2004 through December 31, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Betty Montgomery".

BETTY MONTGOMERY
Auditor of State

September 9, 2004

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BATH TOWNSHIP, SUMMIT COUNTY

Audit Report

For the year ended December 31, 2004

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REPORT OF INDEPENDENT ACCOUNTANTS

**Board of Trustees
Bath Township
Bath, Ohio**

We have audited the accompanying financial statements of Bath Township (the Township), as of and for the year ended December 31, 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Bath Township, Summit County, as of December 31, 2004, and its combined cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2005 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. It does not opine on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.
July 22, 2005

BATH TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For the Year Ended December 31, 2004

	Governmental Fund Types					(Memorandum Only) Total
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Receipts:						
Property Tax and Other Local Taxes	\$ 1,021,423	\$ 4,291,393	\$ 272,084	\$ -	\$ -	\$ 5,584,900
Charges for Services	6,800	733,133	-	-	-	739,933
Licenses, permits and fees	58,317	43,729	-	-	-	102,046
Fines and Forfeitures	22,928	963	-	-	-	23,891
Intergovernmental	1,314,588	783,764	33,758	-	-	2,132,110
Special Assessments	-	145	-	-	-	145
Earnings on Investments	38,291	15,032	1,697	-	-	55,020
Miscellaneous	26,460	109,609	-	-	400	136,469
Total Receipts	2,488,807	5,977,768	307,539	-	400	8,774,514
Disbursements:						
Current:						
General Government	928,696	36,251	-	-	-	964,947
Public Safety	694,703	3,198,962	-	-	-	3,893,665
Public Works	24,519	1,286,109	-	-	-	1,310,628
Health	190,282	359,619	-	-	-	549,901
Conservation-Recreation	20,337	225,646	-	-	-	245,983
Other	418,116	-	-	-	-	418,116
Capital Outlay	-	360,051	-	240,545	20	600,616
Debt Service:						
Principal	-	-	180,000	-	-	180,000
Interest & Fiscal Charges	-	-	139,366	-	-	139,366
Total Cash Disbursements	2,276,653	5,466,638	319,366	240,545	20	8,303,222
Excess of Receipts Over/(Under) Disbursements	212,154	511,130	(11,827)	(240,545)	380	471,292
Other Financing Sources/(Uses):						
Sale of Fixed Assets	2,100	13,400	-	-	-	15,500
Transfers-In	-	-	-	51,000	-	51,000
Transfers-Out	(51,000)	-	-	-	-	(51,000)
Advances-In	17,684	215,084	-	-	-	232,768
Advances-Out	(215,084)	(17,684)	-	-	-	(232,768)
Other Sources	8,652	-	-	-	-	8,652
Other Uses	-	-	-	-	-	-
Total Other Financing Sources/(Uses)	(237,648)	210,800	-	51,000	-	24,152
Excess of Receipts & Other Financing Sources Over/(Under) Disbursements and Other Financing Uses	(25,494)	721,930	(11,827)	(189,545)	380	495,444
Fund Balance January 1, 2004, Note 9	1,352,573	2,105,584	45,976	591,532	3,541	4,099,206
Fund Balance December 31, 2004	\$ 1,327,079	\$ 2,827,514	\$ 34,149	\$ 401,987	\$ 3,921	\$ 4,594,650

See accompanying Notes to the Financial Statements.

**BATH TOWNSHIP
SUMMIT COUNTY, OHIO
COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND CASH BALANCES - FIDUCIARY FUND TYPES
For the Year Ended December 31, 2004**

	<u>Fiduciary Fund Types</u>		<u>Total (Memorandum Only)</u>
	<u>Nonexpendable Trust</u>	<u>Agency</u>	
Receipts:			
Earnings on Investments	\$ 1,319	-	\$ 1,319
Other - Deposits	-	\$ 52,660	52,660
Total Receipts	<u>1,319</u>	<u>52,660</u>	<u>53,979</u>
Disbursements:			
Deposits Returned	-	37,011	37,011
Other - Training	3,465	-	3,465
Total Disbursements	<u>3,465</u>	<u>37,011</u>	<u>40,476</u>
Excess Receipts Over/(Under) Disbursements	<u>(2,146)</u>	<u>15,649</u>	<u>13,503</u>
Fund Balance January 1, 2004, Note 9	<u>103,465</u>	<u>114,301</u>	<u>217,766</u>
Fund Balance December 31, 2004	<u>\$ 101,319</u>	<u>\$ 129,950</u>	<u>\$ 231,269</u>

See accompanying Notes to the Financial Statements.

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE ENTITY

Bath Township is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides various services including road and bridge maintenance, cemetery maintenance, police and fire protection, emergency medical services, park facilities and solid waste collection.

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

B. BASIS OF ACCOUNTING

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

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

C. CASH AND 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 disbursements, respectively.

The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. FUND ACCOUNTING

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

1. General Fund

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

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

2. **Special Revenue Funds**

To account for the proceeds of specific revenue sources (other than from trusts or for capital projects) that are restricted to expenditures for specific purposes. The Township had the following significant Special Revenue Funds:

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

Police District Fund – This fund receives property tax money for providing police services to Township residents.

Fire District Fund - This fund receives special levy tax money for providing fire services to Township residents.

3. **Debt Service Funds**

The Debt Service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following significant Debt Service Fund:

Nature Preserve Bond Retirement Fund – This fund is used to accumulate resources for the payment of principal and interest on the Township's Nature Preserve Bonds.

4. **Capital Projects Funds**

These funds are used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through trust funds). The Township had the following significant capital project funds:

Police Vehicle Fund - This fund is used to accumulate resources for the purchase of police vehicles.

Permanent Improvement Fund – This fund is used to accumulate resources for permanent improvements throughout the Township.

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

D. **FUND ACCOUNTING** - (continued)

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

These funds are used to account for resources restricted by legally binding trust agreements and funds for which the Township is acting in an agency capacity. The Township had the following significant fiduciary funds:

Wilson Memorial Trust– This nonexpendable trust fund is used to maintain the corpus of the fund, while the interest is specifically for the benefit of the safety forces.

Fire Escrow Fund – This agency fund is used to account for insurance proceeds to be held until required repairs to damaged property are made and approved by the Township.

Road Culvert Deposit Fund – This agency fund is used to account for road opening deposits and road bonds that are returned when construction is complete.

E. **BUDGETARY PROCESS**

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. **Estimated Resources**

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

3. **Encumbrances**

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

A summary of 2004 budgetary activity appears in Note 3.

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - (continued)

F. **PROPERTY, PLANT AND EQUIPMENT**

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

G. **ACCUMULATED LEAVE**

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

2. **EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2004</u>
Demand Deposits	\$ 9,184
Certificates of Deposit	2,340,000
STAR Ohio	<u>2,476,735</u>
 Total deposits and investments	 \$ <u>4,825,919</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation; (2) 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.

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2004 is as follows:

Fund Type	2004 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 2,035,844	\$ 2,517,241	\$ 481,397
Special Revenue	6,205,460	6,206,252	792
Debt Service	306,620	307,539	919
Capital Projects	51,000	51,000	-
Expendable Trust	4,000	400	(3,600)
Nonexpedable Trust	-	1,319	1,319
 Total	 \$ <u>8,602,924</u>	 \$ <u>9,083,751</u>	 \$ <u>480,827</u>

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation Authority</u>	<u>Budgetary Expenditures</u>	<u>Variance</u>
General	\$ 3,216,472	\$ 2,542,737	\$ 673,735
Special Revenue	6,622,226	5,484,322	1,137,904
Debt Service	352,593	319,363	33,230
Capital Projects	598,582	240,545	358,037
Expendable Trust	7,541	20	7,521
Nonexpendable Trust	3,465	3,465	-
Total	\$ <u>10,800,879</u>	\$ <u>8,590,452</u>	\$ <u>2,210,427</u>

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

General Obligation Bonds	<u>Principal</u> \$ 2,714,958	<u>Interest Rate</u> 4.30%
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The general obligation bonds provided resources for a nature preserve project. The Township purchased land from the Firestone Estate and converted the land to a nature preserve. The bonds are being repaid in annual installments over 17 years.

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

Amortization of the principal and interest of the general obligation bonds is as follows:

Year Ending Dec. 31:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 185,000	\$ 128,378	\$ 313,378
2006	195,000	120,330	315,330
2007	51,309	265,441	316,750
2008	48,649	268,101	316,750
2009	205,000	111,750	316,750
2010-2014	1,180,000	395,000	1,575,000
2015-2017	850,000	86,250	936,250
Total	\$ <u>2,714,958</u>	\$ <u>1,375,250</u>	\$ <u>4,090,208</u>

6. RETIREMENT SYSTEMS

The Township's certified firefighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other full-time employees belong to the Ohio Public Employees Retirement System (OPERS) of Ohio. OP&F and OPERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2004, OP&F participants contributed 10 of their wages. The Township contributed an amount equal to 24% of the firefighters participant wages. OPERS members contributed 8.5% of their wages. The Township contributed an amount equal to 13.55% of participant's gross salaries in 2004. OPERS (law enforcement) contributed 10.1% of their salaries. The Township contributed an amount equal to 16.7% of participant's gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

Bath Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Public Officials Liability
- Law Enforcement Liability

Settled Claims have not exceeded this commercial coverage in any of the last five years. There have been no significant reductions in insurance coverage from last year.

All employees of the Township are covered by a blanket bond, while certain individuals in policy making roles are covered by a separate, higher limit bond coverage.

The Township pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

BATH TOWNSHIP, SUMMIT COUNTY
Notes to the Financial Statements
For the Year Ended December 31, 2004

8. JOINT VENTURES

The Township is member of a Joint Economic District (JEDD) with the cities of Akron and Fairlawn. The City of Akron provides water service to businesses and residents within the JEDD while the JEDD is permitted to collect income tax on those businesses. At the same time, the JEDD prevents annexation of Township property by either city and maintains the Township's property tax base.

The Township jointly operates a fire station with Copley Township. The Township is responsible for 100% of utilities and 50% of payroll costs for the station. For the year ended December 31, 2004, the Township's expenditures for the fire station were \$ 134,243.

9. RESTATEMENT OF FUND BALANCE

The Township reclassified the Living Tree Memorial Fund from an Agency Fund to an Expendable Trust Fund. The following is the effect on fund balance:

	<u>Agency</u>	<u>Expendable Trust</u>
Fund Balance December 31, 2003	\$ 117,842	\$ 0
Adjustment	<u>(3,541)</u>	<u>3,541</u>
Fund Balance, January 1, 2004	<u>\$ 114,301</u>	<u>\$ 3,541</u>

10. CONTINGENT LIABILITIES

The Township may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Legal Counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Bath Township
Bath, Ohio

We have audited the financial statements of Bath Township as and for the year ended December 31, 2004, and have issued our report thereon dated July 22, 2005, wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally used in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Township in a separate letter dated July 22, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in a separate letter dated July 22, 2005.

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

Charles E. Harris & Associates, Inc.
July 22, 2005

STATUS OF PRIOR YEAR CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2003 did not include material citations or recommendations.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

BATH TOWNSHIP

SUMMIT 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 22, 2005**