



Dave Yost • Auditor of State

**BATH TOWNSHIP
ALLEN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Bath Township
Allen County
2880 Ada Road
Lima, Ohio 45801

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Bath Township, Allen County, (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, or changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Bath Township, Allen County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2018

**BATH TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Property and Other Local Taxes	\$169,341	\$1,022,347		\$1,191,688
Charges for Services		\$255,883		255,883
Licenses, Permits and Fees	12,815			12,815
Fines and Forfeitures	2,616			2,616
Intergovernmental	181,637	675,238	\$118,963	975,838
Special Assessments		13,692		13,692
Earnings on Investments	481	17		498
Miscellaneous	6,936	42,919		49,855
Total Cash Receipts	<u>373,826</u>	<u>2,010,096</u>	<u>118,963</u>	<u>2,502,885</u>
Cash Disbursements				
Current:				
General Government	347,780			347,780
Public Safety		1,349,943		1,349,943
Public Works	49,581	381,310		430,891
Health	41,699	16,823		58,522
Human Services				0
Conservation-Recreation	6,146			6,146
Other		1,500		1,500
Capital Outlay	13,663	117,810	118,963	250,436
Debt Service:				
Principal Retirement		92,405		92,405
Interest and Fiscal Charges		3,500		3,500
Total Cash Disbursements	<u>458,869</u>	<u>1,963,291</u>	<u>118,963</u>	<u>2,541,123</u>
Excess of Receipts Over (Under) Disbursements	<u>(85,043)</u>	<u>46,805</u>		<u>(38,238)</u>
Other Financing Disbursements:				
Other Financing Sources	7,879	190		8,069
Other Financing Uses				0
Total Other Financing Receipts	<u>7,879</u>	<u>190</u>		<u>8,069</u>
Net Change in Fund Cash Balances	(77,164)	46,995		(30,169)
Fund Cash Balances, January 1	<u>1,572,349</u>	<u>1,342,807</u>	<u>0</u>	<u>2,915,156</u>
Fund Cash Balances, December 31:				
Restricted		1,389,802		1,389,802
Assigned	1,113,900			1,113,900
Unassigned	381,285			381,285
Fund Cash Balances, December 31	<u>\$1,495,185</u>	<u>\$1,389,802</u>	<u>\$0</u>	<u>\$2,884,987</u>

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

**BATH TOWNSHIP
ALLEN COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

Operating Cash Receipts:	
Miscellaneous	<u>\$25,852</u>
Total Operating Cash Receipts	<u>25,852</u>
Operating Cash Disbursements:	
Other	<u>6,000</u>
Total Operating Cash Disbursements	<u>6,000</u>
Operating Income	<u>19,852</u>
Fund Cash Balance, January 1	<u>6,000</u>
Fund Cash Balance, December 31	<u><u>\$25,852</u></u>

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Bath Township, Allen County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Allen County Sheriff for law enforcement within the Township.

The Township participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. This organization is the Lima–Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

B. Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, which are organized on a fund type basis.

C. Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported 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.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

Fire Department Fund - The fire fund receives property tax revenue for providing fire protection within the Township.

3. Capital Project Funds

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

Issue I Fund – The Township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

4. Fiduciary Funds

Fiduciary funds include agency funds. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for fire loss claims.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except 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. Appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

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

STAR Ohio is recorded at share value the mutual fund reports.

F. Capital Assets

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

G. Accumulated Leave

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

H. Fund Balance

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

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Unassigned

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2016 was as follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$323,000	\$381,705	\$58,705
Special Revenue	1,696,000	2,010,286	314,286
Capital Projects	120,463	118,963	(1,500)
Fiduciary		25,852	25,852
Total	\$2,139,463	\$2,536,806	\$397,343

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,334,000	\$458,869	\$875,131
Special Revenue	2,721,893	1,963,291	758,602
Capital Projects	122,363	118,963	3,400
Fiduciary		6,000	(6,000)
Total	\$4,178,256	\$2,547,123	\$1,631,133

Some restricted receipts were recorded in the wrong fund which violated Ohio Revised Code Sections 5705.10(C) and 5705.10(D).

Agency Fund activity reflected in the accompanying financial statements was the result of audit adjustments and was not separately budgeted by the Township.

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

	<u>2016</u>
Demand deposits	\$2,817,323
STAR Ohio Investment	93,516
Total Deposits and Investments	<u>\$2,910,839</u>

A. Deposits

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

B. Investments

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

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

7. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

B. Ohio Police and Fire Retirement System

Township's certified full-time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2016.

C. Social Security

Certain Township part time employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

8. POST-EMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2016 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
OPWC - Country Club Hills	\$174,082	0%
OPWC - Fenway Drive	\$159,117	0%
2012 Dump Plow Truck - Lease Purchase	\$26,034	2.05%
2013 Ambulance - Lease Purchase	\$58,513	2.40%
2017 Medic Unit - Lease Purchase	142,870	3.03%
Total	<u>\$560,616</u>	

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

9. DEBT (Continued)

The Township completed the Country Club Hills reconstruction project with a 0% interest OPWC loan to the Township in the amount of \$535,637. The loan is scheduled for repayment over a twenty year period that began in July 2003.

The Township completed the Fenway Drive reconstruction project with a 0% interest OPWC loan to the Township in the amount of \$244,796. The loan is scheduled for repayment over a twenty year period that began in January 2010.

In August 2012, the Township entered into a lease-purchase financing agreement with Fifth Third Bank to finance the acquisition of a 2012 108SD Freightliner Dump Truck at a cost of \$125,000 at 2.05% interest. The Lease requires the Township to make payments of principal and interest each September 1 beginning September 1, 2013 and ending September 1, 2017.

In December 2013, the Township entered into a lease-purchase financing agreement with Fifth Third Bank to finance the acquisition of a 2013 Osage F4D Super Warrior Ambulance on a Ford F-450 chassis at a cost of \$141,285 at 2.40% interest. The Lease requires the Township to make payments of principal and interest each December 1 beginning December 1, 2014 and ending December 1, 2018.

In December 2016, the Township entered into a lease-purchase financing agreement with Fifth Third Bank to finance the acquisition of a 2017 Osage Type 1 conversion ambulance at a cost of \$142,870 at 3.03% interest. The Lease requires the Township to make payments of principal and interest each December 22 beginning December 22, 2017 and ending December 22, 2021.

10. JOINTLY GOVERNED ORGANIZATION

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

11. CONTINGENT LIABILITIES

A. Landfill

The Township purchased a landfill in 1986. The landfill had stopped accepting waste during 1975; however, it was not properly closed in accordance with the Environmental Protection Agency (EPA) regulations prior to the Township's purchase. The Township was unaware of the closure deficiencies at the time of the purchase. The Township contacted a consultant and has worked closely with the EPA to assess the closure and post-closure care costs.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. CONTINGENT LIABILITIES (Continued)

B. Grants

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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.

12. SUBSEQUENT EVENTS

Federal Grant

A FEMA Grant in the amount of \$476,191 has been awarded to Bath Township Fire Department to purchase a Sutphen International Tanker/Pumper. The cost is \$539,423 in which Bath Township Fire Department will be responsible for the difference of \$63,232. The Tanker/Pumper is to be received October, 2017, at which time the Grant will be received.

**BATH TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Property and Other Local Taxes	\$155,882	\$976,797	\$1,132,679
Charges for Services		226,433	226,433
Licenses, Permits and Fees	17,546		17,546
Fines and Forfeitures	2,293		2,293
Intergovernmental	174,580	545,200	719,780
Special Assessments		14,602	14,602
Earnings on Investments	97	2	99
Miscellaneous	6,465	44,468	50,933
Total Cash Receipts	<u>356,863</u>	<u>1,807,502</u>	<u>2,164,365</u>
Cash Disbursements			
Current:			
General Government	332,493		332,493
Public Safety		1,198,721	1,198,721
Public Works	410	365,657	366,067
Health	43,928	8,846	52,774
Other		3,646	3,646
Capital Outlay	20,269	42,312	62,581
Debt Service:			
Principal Retirement		91,022	91,022
Interest and Fiscal Charges		4,569	4,569
Total Cash Disbursements	<u>397,100</u>	<u>1,714,773</u>	<u>2,111,873</u>
Excess of Receipts Over (Under) Disbursements	<u>(40,237)</u>	<u>92,729</u>	<u>52,492</u>
Other Financing Disbursements:			
Other Financing Sources	<u>3,752</u>	<u>2,025</u>	<u>5,777</u>
Net Change in Fund Cash Balances	(36,485)	94,754	58,269
Fund Cash Balances, January 1	<u>1,608,834</u>	<u>1,248,053</u>	<u>2,856,887</u>
Fund Cash Balances, December 31:			
Restricted		1,342,807	1,342,807
Assigned	1,011,000		1,011,000
Unassigned	561,349		561,349
Fund Cash Balances, December 31	<u>\$1,572,349</u>	<u>\$1,342,807</u>	<u>\$2,915,156</u>

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

BATH TOWNSHIP
ALLEN COUNTY

STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGE IN FUND BALANCE (CASH BASIS)
AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

Operating Cash Receipts:

Miscellaneous	<u>\$6,000</u>
Total Operating Cash Receipts	<u>6,000</u>
Operating Income	<u>6,000</u>
Fund Cash Balance, January 1	<u>0</u>
Fund Cash Balance, December 31	<u><u>\$6,000</u></u>

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Bath Township, Allen County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Allen County Sheriff for law enforcement within the Township.

The Township participates in a jointly governed organization. Note 10 to the financial statements provides additional information for this entity. This organization is the Lima–Allen County Regional Planning Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Basis

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

B. Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (cash basis) for all governmental fund types, which are organized on a fund type basis.

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

C. Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

1. General Fund

The general fund accounts for and reports all financial resources not accounted for and reported 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.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

Fire Department Fund - The fire fund receives property tax revenue for providing fire protection within the Township.

3. Fiduciary Funds

Fiduciary funds include agency funds. Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency fund accounts for fire loss claims.

D. Budgetary Process

The Ohio Revised Code requires that each fund (except 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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2016 budgetary activity appears in Note 3.

E. Deposits and Investments

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

STAR Ohio is recorded at share value the mutual fund reports.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Capital Assets

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

G. Accumulated Leave

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

H. Fund Balance

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

1. Non-spendable

The Township classifies assets as *non-spendable* when legally or contractually required to maintain the amounts intact.

2. Restricted

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

3. Committed

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

4. Assigned

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

5. Unassigned

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2015 was as follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$316,500	\$360,615	\$44,115
Special Revenue	1,864,800	1,809,527	(55,273)
Fiduciary		6,000	6,000
Total	\$2,181,300	\$2,176,142	(\$5,158)

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,313,500	\$397,100	\$916,400
Special Revenue	2,460,800	1,714,773	746,027
Fiduciary		0	0
Total	\$3,774,300	\$2,111,873	\$1,662,427

Because the Township failed to complete and return the Authorization Agreement for Direct Deposit of EFT Payments to the Department of Taxation, Ohio Revised Code Section 5703.76 was violated and some homestead and rollback receipts were not received until 2016.

Agency Fund activity reflected in the accompanying financial statements was the result of audit adjustments and was not separately budgeted by the Township.

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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

	2015
Demand deposits	\$2,828,139
STAR Ohio Investment	93,017
Total Deposits and Investments	\$2,921,156

A. Deposits

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

4. EQUITY IN POOLED DEPOSITS AND INVESTMENTS (Continued)

B. Investments

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

5. PROPERTY TAX

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

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

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

6. RISK MANAGEMENT

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs, if material.

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

7. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

7. DEFINED BENEFIT PENSION PLANS (Continued)

B. Ohio Police and Fire Retirement System

Township's certified full-time Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 11.5% of their wages from January 1, 2015 through June 30, 2015 and 12.25% of their wages from July 1, 2015 through December 31, 2015. The Township contributed to OP&F an amount equal to 24% of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2015.

C. Social Security

Some Township part time employees contributed to social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

8. POST-EMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit post-employment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

9. DEBT

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
OPWC - Country Club Hills	\$200,864	0%
OPWC - Fenway Drive	\$171,357	0%
2012 Dump Plow Truck - Lease Purchase	\$51,546	2.05%
2013 Ambulance - Lease Purchase	\$86,745	2.40%
Total	\$510,512	

The Township completed the Country Club Hills reconstruction project with a 0% interest OPWC loan to the Township in the amount of \$535,637. The loan is scheduled for repayment over a twenty year period that began in July 2003.

The Township completed the Fenway Drive reconstruction project with a 0% interest OPWC loan to the Township in the amount of \$244,796. The loan is scheduled for repayment over a twenty year period that began in January 2010.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)**

9. DEBT (Continued)

In August 2012, the Township entered into a lease-purchase financing agreement with Fifth Third Bank to finance the acquisition of a 2012 108SD Freightliner Dump Truck at a cost of \$125,000 at 2.05% interest. The Lease requires the Township to make payments of principal and interest each September 1 beginning September 1, 2013 and ending September 1, 2017.

In December 2013, the Township entered into a lease-purchase financing agreement with Fifth Third Bank to finance the acquisition of a 2013 Osage F4D Super Warrior Ambulance on a Ford F-450 chassis at a cost of \$141,285 at 2.40% interest. The Lease requires the Township to make payments of principal and interest each December 1 beginning December 1, 2014 and ending December 1, 2018.

10. JOINTLY GOVERNED ORGANIZATION

The Lima-Allen County Regional Planning Commission, Allen County, (the Commission) was organized in 1964 under Section 713.21 of the Ohio Revised Code. The Commission is governed by a thirty-three member board. The Board consists of representatives from participating political subdivisions, the County Commissioners, and appointed citizens. The Commission serves the County by performing studies and making maps, preparing recommendations and reports relating to the physical, environmental, social, economic and governmental characteristics, functions and services of the County. Financial information can be obtained from Marlene Schumaker, Grant coordinator, 130 West Main St., Lima, Ohio 45801 or call 419-228-1836, or e-mail mschumaker@lacrpc.com.

11. CONTINGENT LIABILITIES

A. Landfill

The Township purchased a landfill in 1986. The landfill had stopped accepting waste during 1975; however, it was not properly closed in accordance with the EPA regulations prior to the Township's purchase. The Township was unaware of the closure deficiencies at the time of the purchase. The Township contacted a consultant and has worked closely with the EPA to assess the closure and post-closure care costs.

B. Grants

Amounts grantor agencies pay to the township are subject to audit and adjustment by the grantor, principally the federal government. The grantor 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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Dave Yost • Auditor of State

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

Bath Township
Allen County
2880 Ada Road
Lima, Ohio 45801

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of Bath Township, Allen County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2016-001.

Township's Response to Finding

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

Purpose of this Report

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



Dave Yost
Auditor of State
Columbus, Ohio

January 29, 2018

**BATH TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2016-001

Noncompliance Citation / Material Weakness

Ohio Rev. Code § 5703.76 states that any payment or distribution of money that the tax commissioner is required by law to make to a political subdivision of this state, an officer thereof, or a political party shall be made by electronic funds transfer. The commissioner shall promulgate any rules necessary to administer this section.

In order for political subdivisions to be in compliance with this rule, a direct deposit account must be established with Ohio Shared Services. After two notifications of this requirement to the applicable political subdivisions, the Department of Taxation statutorily could not mail paper warrants beginning with the February 2015 real property rollback settlement.

Ohio Rev. Code § 5705.10(C) states that all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. **Ohio Rev. Code § 5705.10(D)** states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose, shall be paid into a special fund for such purpose.

The Township failed to complete and return the Authorization Agreement for Direct Deposit of EFT Payments to the Department of Taxation. As a result, homestead and rollback settlement receipts in the amount of \$119,558 due to the Township in 2015 from the Department of Taxation were not received by the Township by December 31, 2015. The Township received these receipts in 2016.

In 2016, the Township recorded homestead and rollback receipts in the amount of \$212,260, which included the 2015 receipts not received until 2016, in the General Fund instead of allocating the receipts to the Fire Department, Road and Bridge, and Sheriff funds. In addition, the Township recorded \$17,642 of gasoline tax receipts in the General Fund instead of in the Gasoline Tax Fund. These recording errors had the following impact on fund balances:

Receipt Type	Fund	Amount
Homestead and Rollback	General	(\$229,902)
Homestead and Rollback	Fire Department	\$148,229
Homestead and Rollback	Road and Bridge	\$40,316
Homestead and Rollback	Sheriff	\$23,715
Gasoline Tax	Gasoline Tax	\$17,642

The failure to complete the Authorization Agreement for Direct Deposit of EFT Payments and return it to the Department of Taxation in 2015 resulted in the homestead and rollback receipts that were material to fund balances of several impacted funds not being received until 2016. The failure to allocate restricted receipts to the required funds impacts the users understanding of the available resources in each fund, may result in the illegal disbursement of restricted money, and may materially misstate the financial statements.

The accompanying financial statements and the accounting records have been adjusted to record these receipts in the correct funds.

The errors identified above should be reviewed by the Fiscal Officer to help ensure that similar errors do not occur in subsequent years. The Fiscal Officer should utilize the County Auditor tax settlement sheets to determine how to allocate the homestead and rollback receipts to the required funds. The Trustees should compare budget versus actual receipts at the fund and line item level to help detect errors in a timely manner.

**FINDING NUMBER 2016-001
(Continued)**

OFFICIALS' RESPONSE: As the Bath Township Fiscal Officer, I have reviewed the Bath Township, Allen County, Regular Audit for the years ended December 31, 2016-2015. Finding Number 2016-001 in regard to the Homestead and Rollback state receipts posted to the General Fund have been corrected and are now allocated to the Road, Sheriff, and Fire Funds with a Fund Balance Adjustment. The Gas Fund receipts posted to the General Fund have been corrected and are now allocated to the Gasoline Tax Fund with a Fund Balance Adjustment.



Dave Yost • Auditor of State

BATH TOWNSHIP

ALLEN 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
MARCH 13, 2018**