



**Auditor of State
Betty Montgomery**

**BATH TOWNSHIP
ALLEN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Bath Township
Allen County
2880 Ada Road
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of Bath Township (the Township) as of and for the years ended December 31, 2002 and 2001. 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2003, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Bath Township
Allen County
Independent Accountants' Report
Page 2

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

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

Betty Montgomery
Auditor of State

April 11, 2003

**BATH TOWNSHIP
ALLEN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$192,013	\$618,613		\$810,626
Intergovernmental	326,643	131,182	\$535,637	993,462
Special Assessments		11,273		11,273
Charges for Services	2,400	42,888		45,288
Licenses, Permits, and Fees	11,899	7,430		19,329
Fines, Forfeitures, and Penalties	12,402			12,402
Earnings on Investments	24,009	6,761		30,770
Other Revenue	11,952	16,254		28,206
	<u>581,318</u>	<u>834,401</u>	<u>535,637</u>	<u>1,951,356</u>
Total Cash Receipts				
	<u>581,318</u>	<u>834,401</u>	<u>535,637</u>	<u>1,951,356</u>
Cash Disbursements:				
Current:				
General Government	405,335			405,335
Public Safety		524,566		524,566
Public Works	57,149	244,411		301,560
Health	73,986	2,008		75,994
Conservation - Recreation	2,842			2,842
Miscellaneous		6,431		6,431
Capital Outlay	16,042	41,562	535,637	593,241
	<u>555,354</u>	<u>818,978</u>	<u>535,637</u>	<u>1,909,969</u>
Total Cash Disbursements				
	<u>555,354</u>	<u>818,978</u>	<u>535,637</u>	<u>1,909,969</u>
Total Receipts Over/(Under) Disbursements	<u>25,964</u>	<u>15,423</u>		<u>41,387</u>
Other Financing Receipts:				
Other Sources	9,097			9,097
	<u>9,097</u>			<u>9,097</u>
Total Other Financing Receipts				
	<u>9,097</u>			<u>9,097</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	35,061	15,423		50,484
Fund Cash Balances, January 1, 2002	<u>931,402</u>	<u>778,754</u>		<u>1,710,156</u>
Fund Cash Balances, December 31, 2002	<u><u>\$966,463</u></u>	<u><u>\$794,177</u></u>	<u><u>\$0</u></u>	<u><u>\$1,760,640</u></u>

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

**BATH TOWNSHIP
ALLEN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$201,772	\$672,253	\$874,025
Intergovernmental	242,830	110,027	352,857
Special Assessments		9,273	9,273
Charges for Services	3,000	58,314	61,314
Licenses, Permits, and Fees	12,064	5,749	17,813
Fines, Forfeitures, and Penalties	4,641		4,641
Earnings on Investments	63,222	8,285	71,507
Other Revenue	17,596	35,793	53,389
	<u>545,125</u>	<u>899,694</u>	<u>1,444,819</u>
Total Cash Receipts			
	<u>545,125</u>	<u>899,694</u>	<u>1,444,819</u>
Cash Disbursements:			
Current:			
General Government	355,742		355,742
Public Safety		572,550	572,550
Public Works	20,326	236,272	256,598
Health	75,150	1,201	76,351
Conservation - Recreation	7,113		7,113
Miscellaneous		7,267	7,267
Capital Outlay	298,153	34,062	332,215
	<u>756,484</u>	<u>851,352</u>	<u>1,607,836</u>
Total Cash Disbursements			
	<u>756,484</u>	<u>851,352</u>	<u>1,607,836</u>
Total Receipts Over/(Under) Disbursements	<u>(211,359)</u>	<u>48,342</u>	<u>(163,017)</u>
Other Financing Receipts:			
Other Sources	39,857		39,857
	<u>39,857</u>		<u>39,857</u>
Total Other Financing Receipts			
	<u>39,857</u>		<u>39,857</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>(171,502)</u>	<u>48,342</u>	<u>(123,160)</u>
Fund Cash Balances, January 1, 2001	<u>1,102,904</u>	<u>730,412</u>	<u>1,833,316</u>
Fund Cash Balances, December 31, 2001	<u><u>\$931.402</u></u>	<u><u>\$778.754</u></u>	<u><u>\$1,710.156</u></u>

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Bath Township, Allen County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including repair and improvement of Township roads and bridges, cemetery management, fire protection and emergency medical services. The Township entered into contracts with the Allen County Sheriff's department to provide security of persons and property, and the Bath Township Volunteer Fire Association for emergency medical and fire protection services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

Investments are 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 Township's checking account and overnight repurchase agreement are valued at cost. 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. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than for capital projects) that are restricted to expenditure for specific purposes.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Gasoline Tax Fund - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

Sheriff Fund - This fund receives property tax revenue for providing police protection within the Township.

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

3. Capital Project Fund

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

Issue II Fund - The Township received a loan from the State of Ohio for a road reconstruction project.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also approve estimated resources.

3. Encumbrances

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

A summary of 2002 and 2001 budgetary activity appears in Note 3.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

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:

	2002	2001
Demand Deposits	(38,768)	(25,698)
Investments		
STAR Ohio	506,143	465,560
Overnight Repurchase Agreement	1,293,265	1,270,294
Total Investments	1,799,408	1,735,854
Total Deposits and Investments	\$1,760,640	\$1,710,156

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

Investments: The Sweep Account/Repurchase Agreement is invested in federal home loan bank securities as an overnight investment. 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, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$582,466	\$590,415	\$7,949
Special Revenue	893,357	834,401	(58,956)
Capital Projects	820,000	535,637	(284,363)
Total	\$2,295,823	\$1,960,453	(\$335,370)

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,399,501	\$555,354	\$844,147
Special Revenue	1,632,451	818,978	813,473
Capital Projects	820,000	535,637	284,363
Total	<u>\$3,851,952</u>	<u>\$1,909,969</u>	<u>\$1,941,983</u>

2001 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$743,684	\$584,982	(\$158,702)
Special Revenue	932,773	899,694	(33,079)
Capital Projects	70,500	0	(70,500)
Total	<u>\$1,746,957</u>	<u>\$1,484,676</u>	<u>(\$262,281)</u>

2001 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,843,501	\$756,484	\$1,087,017
Special Revenue	1,585,939	851,352	734,587
Capital Projects	103,360	0	103,360
Total	<u>\$3,532,800</u>	<u>\$1,607,836</u>	<u>\$1,924,964</u>

4. PROPERTY TAX

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

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

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

5. DEBT OBLIGATIONS

During the year 2002, a loan was received from the Ohio Public Works Commission in the amount of \$535,637 with a 0% interest rate for the County Club Hills Phase II road reconstruction project.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

5. DEBT OBLIGATIONS Continued)

Principal payments to retire the loan are as follows:

Fiscal Year Ending	Principal
2003	\$ 13,391
2004	26,782
2005	26,782
2006	26,782
2007	26,782
2008-2012	133,909
2013-2017	133,909
2018-2022	133,909
2023	<u>13,391</u>
Total	<u>\$535,637</u>

6. RETIREMENT SYSTEMS

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

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

7. RISK MANAGEMENT

Commercial Insurance

The Township has obtained commercial insurance for the following risks:

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

The Township also provides health insurance and dental and vision coverage to officials and full-time employees through a private carrier.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

8. CONTINGENT LIABILITIES

The Township purchased a landfill during 1986. The landfill had stopped accepting waste during 1975; however it was not properly closed in accordance with Environmental Protection Agency regulations prior to the Township's purchase. The Township was unaware of the closure deficiencies at the time of purchase. The Township has engaged a consultant and is working closely with the Ohio EPA to assess the closure and post-closure care costs; however an estimate on those costs is not reasonably possible at this time.



**Auditor of State
Betty Montgomery**

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

Bath Township
Allen County
2880 Ada Road
Lima, Ohio 45801

To the Board of Trustees:

We have audited the accompanying financial statements of Bath Township (the Township) as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated April 11, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-40202-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated April 11, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 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 do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated April 11, 2003.

Bath Township
Allen County
Independent Accountants' Report on Compliance and
On Internal Control Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

April 11, 2003

**BATH TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-40202-001

Finding for Recovery

Insurance Deductible Reimbursements

Ohio Revised Code Section 505.60(A)(B) allows the Board of Township Trustees to procure health insurance policies and pay the cost of insurance premiums for uniform medical benefits to township officers and employees. In addition, **Ohio Revised Code Section 505.601**, provides that if a board of township trustees does not procure an insurance policy or group health care services under Ohio Revised Section 505.60, the board may reimburse any township officer or employee for out-of-pocket premiums. **Ohio Revised Code Section 505.60(F)(2)** indicates that as used in these sections, "premium" does not include any deductible or health care costs paid directly by a township officer or employee.

During the period June 1, 2001 through February 28, 2003, the amount of \$19,229.55 was reimbursed to employees and officials for insurance deductibles.

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public money illegally expended, is hereby rendered against, William Degen, Mike Meeks, Roy Hollenbacher, Township Trustees, Ruth Hollenbacher, Township Clerk, and their bonding companies, jointly and severally, in the amount of Twenty Thousand Forty-nine dollars and fifteen cents (\$19,229.55), and in favor of the Bath Township's General Fund treasury.



**Auditor of State
Betty Montgomery**

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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
JUNE 5, 2003**