



**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, Allen County, (the Township), as of and for the years ended December 31, 2004 and December 31, 2003. 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 reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

As described 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 Bath Township, Allen County, as of December 31, 2004 and 2003, 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 March 21, 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 grant 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.

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

Betty Montgomery
Auditor of State

March 21, 2005

**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, 2004**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$204,653	\$617,440		\$822,093
Intergovernmental	218,126	156,119	\$220,891	595,136
Special Assessments		12,163		12,163
Charges for Services	2,400	113,110		115,510
Licenses, Permits, and Fees	20,797	7,402		28,199
Fines, Forfeitures, and Penalties	8,000			8,000
Earnings on Investments	15,806	4,265		20,071
Other Revenue	6,862	63,527		70,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	476,644	974,026	220,891	1,671,561
Cash Disbursements:				
Current:				
General Government	422,701			422,701
Public Safety	10,990	468,791		479,781
Public Works		287,797		287,797
Health	73,229	1,203		74,432
Conservation - Recreation	2,015			2,015
Miscellaneous		3,950		3,950
Debt Service:				
Redemption of Principal		26,782		26,782
Capital Outlay	2,594	61,846	220,891	285,331
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	511,529	850,369	220,891	1,582,789
Total Receipts Over/(Under) Disbursements	(34,885)	123,657		88,772
Other Financing Receipts and (Disbursements):				
Transfers-In		12,200		12,200
Transfers-Out	(12,200)			(12,200)
Other Sources	8,545			8,545
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Total Other Financing Receipts/(Disbursements)	(3,655)	12,200		8,545
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,540)	135,857		97,317
Fund Cash Balances, January 1	651,874	955,594		1,607,468
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Fund Cash Balances, December 31	<u>\$613,334</u>	<u>\$1,091,451</u>	<u>\$0</u>	<u>\$1,704,785</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, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$185,274	\$607,016		\$792,290
Intergovernmental	215,678	139,851	\$92,000	447,529
Special Assessments		11,071		11,071
Charges for Services	2,400	47,850		50,250
Licenses, Permits, and Fees	14,683	6,827		21,510
Fines, Forfeitures, and Penalties	8,958			8,958
Earnings on Investments	13,057	4,242		17,299
Other Revenue	7,407	18,336		25,743
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Total Cash Receipts	447,457	835,193	92,000	1,374,650
Cash Disbursements:				
Current:				
General Government	485,863			485,863
Public Safety	16,718	456,861		473,579
Public Works	32,475	260,008		292,483
Health	74,035	791		74,826
Conservation - Recreation	5,604			5,604
Debt Service:				
Redemption of Principal		26,782		26,782
Capital Outlay	20,915	64,090	92,000	177,005
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	635,610	808,532	92,000	1,536,142
Total Receipts Over/(Under) Disbursements	(188,153)	26,661		(161,492)
Other Financing Receipts and (Disbursements):				
Transfers-In		130,000		130,000
Transfers-Out	(130,000)			(130,000)
Other Sources	2,041			2,041
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	(127,959)	130,000		2,041
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(316,112)	156,661		(159,451)
Fund Cash Balances, January 1	967,986	798,933		1,766,919
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$651,874</u>	<u>\$955,594</u>	<u>\$0</u>	<u>\$1,607,468</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, 2004 AND 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Bath Township, Allen County, (the Township) as a body corporate and politic. A publicly-elected three-member Board of Trustees Township directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with the Bath Township Volunteer Fire Department to provide fire protection and emergency medical 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 the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

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

C. Cash and Investments

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

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

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Special Revenue Funds

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

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

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Issue II Fund - The Township received a grant from the State of Ohio to perform road work.

Community Development Block Grant Fund (CDBG) – The Township received grant money through Allen County to improve drainage within the Township.

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. The Township did not encumber all commitments required by Ohio law.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

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

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.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2004	2003
Demand deposits	\$1,387,716	\$299,820
STAR Ohio	317,069	1,307,648
Total deposits and investments	\$1,704,785	\$1,607,468

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2004 and December 31, 2003 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$547,553	\$485,189	(\$62,364)
Special Revenue	970,258	986,226	15,968
Capital Projects	271,114	220,891	(50,223)
Total	\$1,788,925	\$1,692,306	(\$96,619)

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,133,500	\$523,729	\$609,771
Special Revenue	1,894,630	850,369	1,044,261
Capital Projects	271,114	220,891	50,223
Total	\$3,299,244	\$1,594,989	\$1,704,255

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$588,015	\$449,498	(\$138,517)
Special Revenue	898,703	965,193	66,490
Capital Projects	65,000	92,000	27,000
Total	\$1,551,718	\$1,506,691	(\$45,027)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,564,500	\$765,610	\$798,890
Special Revenue	1,731,359	808,532	922,827
Capital Projects	65,000	92,000	(27,000)
Total	\$3,360,859	\$1,666,142	\$1,694,717

The Township did not properly encumber all expenditures during the audit period as required by Ohio Revised Code Section 5705.41 (D).

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt 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.

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

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission Loan	\$482,073	0%

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

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

5. DEBT (Continued)

Amortization of the above debt, including interest, is scheduled as follows:

Year Ending December 31,	OPWC Loan
2005	\$26,782
2006	26,782
2007	26,782
2008	26,782
2009	26,782
2010 – 2014	133,909
2015 - 2019	133,909
2020 - 2022	80,345
Total	<u><u>\$482,073</u></u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 and 2003, members of OPERS contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

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 coverage to officials and full time employees through a private carrier.

**BATH TOWNSHIP
ALLEN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004 AND 2003
(Continued)**

8. CONTINGENT LIABILITIES

A. Landfill

The Township purchased a landfill during 1986. The landfill had stopped accepting waste during 1975; however, it was not properly closed in accordance with the 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.

B. Grants

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. 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.



Auditor of State Betty Montgomery

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

Bath Township
Allen County
2880 Ada Road
Lima, Ohio 45801

To the Board of Trustees:

We have audited the financial statements of Bath Township, Allen County, (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 21, 2005, wherein we noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated March 21, 2005, we reported other matters involving internal control over financial reporting.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Township's management dated March 21, 2005, we reported other matters related to noncompliance we deemed immaterial.

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We intend this report solely for the information and use of management and Board of Trustees. It is not intended for 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

March 21, 2005

**BATH TOWNSHIP
ALLEN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003**

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

FINDING NUMBER 2004-001

Ohio Rev. Code Section 5705.41(D) states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Further, contracts and orders for expenditures lacking prior certification should be considered null and void.

If no certificate is issued at the time the contract or order is entered into, the fiscal officer may later certify that there were funds properly appropriated and in the treasury or in the process of collection and such funds are free from previous encumbrance both at the time the contract or order was entered into and at the time of payment (“then and now”). After certifying this, the fiscal officer may proceed to pay for such order or contract. If the amount involved is over \$1,000 (\$3,000 effective April 7, 2003), the taxing authority must approve of such payment within 30 days of the date of the fiscal officer’s certification. A subdivision’s fiscal officer may also issue so-called “super blanket” certificates for any amount for expenditures and contracts from a specific line item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense.

Test results revealed that 88 percent of the transactions in 2003 were honored by the fiscal officer rather than being declared null and void due to lack of prior certification, or using the “then and now” certification. These errors were the result of the Clerk not signing the super blanket certificates or the “Blanket Certificate Status Report” which has been standard Township procedure.

Also, “super blanket” certificates were used during both 2004 and 2003, but the certificates did not always meet the criteria for being specific and reasonably predictable operating expenses. This could lead to purchases that may not have been for the intended purpose.

Ohio Rev. Code Section 5705.41(D), audit bulletin 2003-001, and other applicable audit bulletins should be reviewed, and appropriate procedures implemented for the certification of funds. All legitimate super blanket certificates should be certified by the signature of the Clerk and signed individually by the Trustees each year. If the Township chooses to continue to sign a “Blanket Certificate Status Report” for regular blanket certificates then the date the initials were affixed to the report should be documented to indicate the exact approval dates. Also, in order to utilize the “super blanket” certificates, procedures should be implemented to ensure their proper use for specific and predictable obligations.



**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
APRIL 12, 2005**