

BATH TOWNSHIP

SUMMIT COUNTY, OHIO

AUDIT REPORT

For the Year Ended December 31, 2005

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



**Auditor of State
Betty Montgomery**

Board of Trustees
Bath Township
3864 West Bath Road
Bath, Ohio 44333

We have reviewed the *Report of Independent Accountants* of Bath Township, Summit County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

BETTY MONTGOMERY
Auditor of State

July 26, 2006

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BATH TOWNSHIP
SUMMIT COUNTY, OHIO
Audit Report
For the year ended December 31, 2005

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Charles E. Harris & Associates, Inc.
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REPORT OF INDEPENDENT ACCOUNTANTS

Board of Township Trustees
Bath Township
Bath, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bath Township, Summit County, Ohio, (the District), as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District'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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Bath Township, Summit County, Ohio, as of December 31, 2005, and the respective changes in cash basis financial position and the respective budgetary position for the General Fund, the Road and Bridge Fund, the Police District Fund, the Fire District Fund, and the Joint Economic Development District Fund thereof for the year then ended in conformity with accounting basis Note 1 describes.

The management's discussion and analysis on pages 3 to 8 is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally on inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Charles E. Harris & Associates, Inc.

May 17, 2006

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

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

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$222,925, or 5 percent, a slight increase from the prior year.

The Township's general receipts are primarily property and other local taxes. These receipts represent 69 percent of the total cash received for governmental activities during the year. Property and other local tax receipts for 2005 changed very little compared to 2004 as development within the Township has slowed.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Reporting the Government as a Whole

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

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

In the statement of net assets and the statement of activities, the Township's basic services are reported as governmental activities, including police, fire, streets and parks. Real estate and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

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

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) are combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Road and Bridge Fund, Police District Fund, Fire District Fund, and Joint Economic Development Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. There is no reconciliation between the two reports as the Township reports on the cash basis.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Government's programs as a whole.

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Government as a Whole

Table 1 provides a summary of the Government's net assets (assets less liabilities) for 2005 on a modified cash basis:

Net Assets

	<u>Governmental Activities</u>
	2005
Assets	
Cash and Cash Equivalents*	\$ 2,107,964
Investments	2,804,239
Total Assets	4,912,203
 Net Assets	
Restricted for:	
Capital Projects	358,349
Debt Service	35,617
Other Purposes	3,216,977
Permanent Fund- Wilson Memorial	
Expendable	4,286
Nonexpendable	100,000
Unrestricted	1,196,974
Total Net Assets	\$ 4,912,203

* Cash equivalents are investments which can be quickly converted to cash.

Since this is the first year the Township has reported on this method, there are no comparisons to 2004.

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets in 2005:

(Table 2)
Changes in Net Assets

	Governmental Activities 2005
	2005
Receipts:	
Program Receipts:	
Charges for Services and Sales	\$ 636,739
Operating Grants and Contributions	79,104
Capital Grants and Contributions	185,061
Total Program Receipts	900,904
General Receipts:	
Property and Other Local Taxes	6,449,267
Grants and Entitlements Not Restricted to Specific Programs	1,777,592
Sale of Capital Assets	2,000
Interest	161,120
Miscellaneous	112,677
Total General Receipts	8,502,656
Total Receipts	9,403,560
Disbursements:	
General Government	1,416,306
Public Safety	3,950,527
Public Works	1,771,620
Health	597,750
Human Services	2,043
Conservation-Recreation	279,192
Other	437,230
Capital Outlay	408,561
Debt Service	317,406
Total Disbursements	9,180,635
Increase (Decrease) in Net Assets	222,925
Net Assets, January 1, 2004	4,689,278
Net Assets, December 31, 2004	\$ 4,912,203

Program receipts represent only 10 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as false alarm fees, building permits and inspection fees.

General receipts represent 90 percent of the Township's total receipts, and of this amount, over 76 percent are local taxes. Grants and entitlements make up the balance of the Township's general receipts. Other receipts are somewhat insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Public Safety represents the costs of police and fire/EMS protection; health is the health department and solid waste removal; conservation - recreation is the cost of maintaining the parks and playing fields; and public works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety and public works which account for 43 and 19 percent of all governmental disbursements, respectively. General government also represents a significant cost, about 15 percent. The next three columns of the Statement entitled Program Receipts identify (1) amounts paid by people who are directly charged for the service, and (2&3) grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which is paid by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost of Services 2005
	2005	2005
General Government	\$ 1,416,306	\$ (1,296,377)
Public Safety	3,950,527	(3,760,790)
Public Works	1,771,620	(1,769,309)
Health	597,750	(200,549)
Human Services	2,043	861
Conservation-Recreation	279,192	(270,997)
Other	437,230	(437,230)
Capital Outlay	408,561	(230,901)
Debt Service	317,406	(314,439)
Total Expenses	\$ 9,180,635	\$ (8,279,731)

The dependence upon property tax receipts is apparent as over 90 percent of governmental activities are supported through these general receipts.

The Government's Funds

Total governmental funds had receipts of \$10,020,404 and disbursements of \$9,797,479. There were no significant changes from 2004.

Bath Township, Summit County
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances (money-ear-market for disbursement). The most significant budgeted fund is the General Fund.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. For 2005, actual receipts were greater than budgeted receipts.

Final disbursements were budgeted at \$3,767,752 while actual disbursements were \$3,133,328. The Township kept spending close to budgeted amounts as demonstrated by the minor reported variances.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently report its capital assets and infrastructure. "Capital assets" include long-lived, costly items such as buildings, cars, trucks and equipment. The Township schedules the useful life of capital assets such as cars, trucks and equipment and saves for replacements over their useful lives. Buildings are on regular maintenance schedules. "Infrastructure" represents immovable, common capital assets such as roads, bridges, tennis courts, and street lights. These assets are also covered by maintenance schedules designed to avoid decline or decay, and the subsequent need for early replacement.

Debt

At December 31, 2005, the Township's outstanding debt included \$2,529,958 in general obligation bonds issued for the Bath Nature Preserve project. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have chosen to limit commercial activity to support the tax base.

One of the Township's two road levies will be expiring in 2006. The remaining (continuing) levy supports the manpower and materials necessary to provide snow and ice control and routine road maintenance. Renewal of the expiring levy will be needed for projects which replace and undertake major repairs to maintain the quality of Township roads as they reach the end of their useful lives.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Penny Marquette, Fiscal Officer, 3864 W. Bath Road, Bath, Ohio 44210.

Bath Township, Summit County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 2,107,964
Investments	2,804,239
<i>Total Assets</i>	\$ 4,912,203
Net Assets	
Restricted for:	
Capital Projects	\$ 358,349
Debt Service	35,617
Other Purposes	3,216,977
Permanent Fund: Wilson Memorial:	
Expendable	4,286
Nonexpendable	100,000
Unrestricted	1,196,974
<i>Total Net Assets</i>	\$ 4,912,203

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
				Governmental Activities	
Governmental Activities					
General Government	\$ 1,416,306	\$ 119,929	-	\$ (1,296,377)	
Public Safety	3,950,527	120,885	\$ 61,451	\$ 7,401	(3,760,790)
Public Works	1,771,620	2,311	-	-	(1,769,309)
Health	597,750	390,514	6,687	-	(200,549)
Human Services	2,043	-	2,904	-	861
Conservation-Recreation	279,192	3,100	5,095	-	(270,997)
Other	437,230	-	-	-	(437,230)
Capital Outlay	408,561	-	-	177,660	(230,901)
Debt Service					
Principal Retirement	185,000	-	-	-	(185,000)
Interest and Fiscal Charges	132,406	-	2,967	-	(129,439)
<i>Total Governmental Activities</i>	<u>\$ 9,180,635</u>	<u>\$ 636,739</u>	<u>\$ 79,104</u>	<u>\$ 185,061</u>	<u>(8,279,731)</u>
General Receipts					
Property Taxes Levied for:					
General Purposes					1,065,375
Debt Service					279,643
Special Purposes					5,104,249
Grants and Entitlements not Restricted to Specific Programs					1,777,592
Sale of Capital Assets					2,000
Interest					161,120
Miscellaneous					112,677
<i>Total General Receipts</i>					8,502,656
Change in Net Assets					222,925
<i>Net Assets Beginning of Year</i>					4,689,278
<i>Net Assets End of Year</i>					<u>\$ 4,912,203</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Modified Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2005

	General	Road and Bridge Fund	Police District Fund	Fire District Fund	JEDD Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Cash Equivalents	\$ 123,433	\$ 394,142	\$ 510,778	\$ 257,750	-	\$ 821,861	\$ 2,107,964
Investments	1,073,541	-	-	-	\$ 1,590,795	139,903	2,804,239
<i>Total Assets</i>	<u>\$ 1,196,974</u>	<u>\$ 394,142</u>	<u>\$ 510,778</u>	<u>\$ 257,750</u>	<u>\$ 1,590,795</u>	<u>\$ 961,764</u>	<u>\$ 4,912,203</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$ 561,768	\$ 54,384	\$ 49,433	\$ 113,754	-	\$ 74,173	\$ 853,512
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	635,206	-	-	-	-	-	635,206
Special Revenue Funds	-	339,758	461,345	143,996	\$ 1,590,795	408,924	2,944,818
Debt Service Fund	-	-	-	-	-	35,617	35,617
Capital Projects Funds	-	-	-	-	-	338,764	338,764
Permanent Fund	-	-	-	-	-	104,286	104,286
<i>Total Fund Balances</i>	<u>\$ 1,196,974</u>	<u>\$ 394,142</u>	<u>\$ 510,778</u>	<u>\$ 257,750</u>	<u>\$ 1,590,795</u>	<u>\$ 961,764</u>	<u>\$ 4,912,203</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Road and Bridge Fund	Police District Fund	Fire District Fund	JEDD Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 1,065,375	\$ 1,344,147	\$ 2,227,734	\$ 1,172,723	-	\$ 639,288	\$ 6,449,267
Charges for Services	7,335	-	-	-	-	535,048	542,383
Licenses, Permits and Fees	60,500	2,150	-	-	-	-	62,650
Fines and Forfeitures	19,210	-	9,375	-	-	170	28,755
Intergovernmental	734,225	185,527	307,303	164,348	\$ 250,000	399,777	2,041,180
Special Assessments	-	-	-	-	-	161	161
Interest	112,852	-	-	-	42,980	8,255	164,087
Other	42,858	2,252	430	2,293	-	3,500	51,333
<i>Total Receipts</i>	<u>2,042,355</u>	<u>1,534,076</u>	<u>2,544,842</u>	<u>1,339,364</u>	<u>292,980</u>	<u>1,586,199</u>	<u>9,339,816</u>
Disbursements							
Current:							
General Government	1,342,098	-	-	-	-	74,208	1,416,306
Public Safety	269,421	-	2,166,836	1,260,635	-	253,635	3,950,527
Public Works	13,200	1,620,853	-	-	-	137,567	1,771,620
Health	191,762	-	-	-	-	405,988	597,750
Human Services	-	-	-	-	-	2,043	2,043
Conservation-Recreation	6,111	-	-	-	-	273,081	279,192
Other	370,939	-	-	-	-	15,047	385,986
Capital Outlay	-	13,388	33,902	62,189	-	299,082	408,561
Debt Service:							
Principal Retirement	-	-	-	-	-	185,000	185,000
Interest and Fiscal Charges	-	-	-	-	-	132,406	132,406
<i>Total Disbursements</i>	<u>2,193,531</u>	<u>1,634,241</u>	<u>2,200,738</u>	<u>1,322,824</u>	<u>-</u>	<u>1,778,057</u>	<u>9,129,391</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(151,176)</u>	<u>(100,165)</u>	<u>344,104</u>	<u>16,540</u>	<u>292,980</u>	<u>(191,858)</u>	<u>210,425</u>
Other Financing Sources (Uses)							
Sale of Capital Assets	2,000	-	-	-	-	-	2,000
Transfers In	2,300	33,451	-	5,664	-	180,629	222,044
Transfers Out	(180,629)	-	-	-	-	(41,415)	(222,044)
Advances In	394,800	-	-	-	-	-	394,800
Advances Out	(197,400)	-	-	-	-	(197,400)	(394,800)
Other Financing Sources	-	-	-	-	-	61,744	61,744
Other Financing Uses	-	-	-	-	-	(51,244)	(51,244)
<i>Total Other Financing Sources (Uses)</i>	<u>21,071</u>	<u>33,451</u>	<u>-</u>	<u>5,664</u>	<u>-</u>	<u>(47,686)</u>	<u>12,500</u>
<i>Net Change in Fund Balances</i>	<u>(130,105)</u>	<u>(66,714)</u>	<u>344,104</u>	<u>22,204</u>	<u>292,980</u>	<u>(239,544)</u>	<u>222,925</u>
<i>Fund Balances Beginning of Year</i>	<u>1,327,079</u>	<u>460,856</u>	<u>166,674</u>	<u>235,546</u>	<u>1,297,815</u>	<u>1,201,308</u>	<u>4,689,278</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,196,974</u>	<u>\$ 394,142</u>	<u>\$ 510,778</u>	<u>\$ 257,750</u>	<u>\$ 1,590,795</u>	<u>\$ 961,764</u>	<u>\$ 4,912,203</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 881,810	\$ 1,074,917	\$ 1,065,375	\$ (9,542)
Charges for Services	5,066	7,065	7,335	270
Licenses, Permits and Fees	41,786	58,269	60,500	2,231
Fines and Forfeitures	13,268	18,502	19,210	708
Intergovernmental	507,113	707,151	734,225	27,074
Interest	77,944	108,691	112,852	4,161
Other	29,601	41,278	42,858	1,580
<i>Total receipts</i>	<u>1,556,589</u>	<u>2,015,872</u>	<u>2,042,355</u>	<u>26,483</u>
Disbursements				
Current:				
General Government	1,127,060	1,463,260	1,342,098	121,162
Public Safety	1,042,689	1,042,689	531,189	511,500
Public Works	239,862	471,652	313,200	158,452
Health	200,831	201,156	191,762	9,394
Conservation-Recreation	20,629	20,629	6,111	14,518
Other	370,939	370,939	370,939	-
<i>Total Disbursements</i>	<u>3,002,010</u>	<u>3,570,325</u>	<u>2,755,299</u>	<u>815,026</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(1,445,421)	(1,554,453)	(712,944)	841,509
Other Financing Sources (Uses)				
Sale of Capital Assets	1,381	1,926	2,000	74
Transfers In	1,589	2,215	2,300	85
Transfers Out	-	-	(180,629)	(180,629)
Advances In	272,680	380,242	394,800	14,558
Advances Out	-	(197,400)	(197,400)	-
<i>Total Other Financing Sources (Uses)</i>	<u>275,650</u>	<u>186,983</u>	<u>21,071</u>	<u>(165,912)</u>
<i>Net Change in Fund Balance</i>	(1,169,771)	(1,367,470)	(691,873)	675,597
<i>Fund Balance Beginning of Year</i>	1,170,072	1,170,072	1,170,072	-
Prior Year Encumbrances Appropriated	157,007	157,007	157,007	-
<i>Fund Balance End of Year</i>	<u>\$ 157,308</u>	<u>\$ (40,391)</u>	<u>\$ 635,206</u>	<u>\$ 675,597</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 1,319,026	\$ 1,340,313	\$ 1,344,147	\$ 3,834
Licenses, Permits and Fees	1,745	2,082	2,150	68
Intergovernmental	150,612	179,699	185,527	5,828
Other	1,828	2,181	2,252	71
<i>Total receipts</i>	<u>1,473,211</u>	<u>1,524,275</u>	<u>1,534,076</u>	<u>9,801</u>
Disbursements				
Current:				
Public Works	1,947,765	1,973,485	1,675,237	298,248
Capital Outlay	13,388	13,388	13,388	-
<i>Total Disbursements</i>	<u>1,961,153</u>	<u>1,986,873</u>	<u>1,688,625</u>	<u>298,248</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(487,942)	(462,598)	(154,549)	308,049
Other Financing Sources (Uses)				
Transfers In	27,156	32,400	33,451	1,051
<i>Total Other Financing Sources (Uses)</i>	<u>27,156</u>	<u>32,400</u>	<u>33,451</u>	<u>1,051</u>
<i>Net Change in Fund Balance</i>	(460,786)	(430,198)	(121,098)	309,100
<i>Fund Balance Beginning of Year</i>	430,197	430,197	430,197	-
Prior Year Encumbrances Appropriated	30,659	30,659	30,659	-
<i>Fund Balance End of Year</i>	<u>\$ 70</u>	<u>\$ 30,658</u>	<u>\$ 339,758</u>	<u>\$ 309,100</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police District Fund
For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 2,277,406	\$ 2,220,707	\$ 2,227,734	\$ 7,027
Fines and Forfeitures	5,987	9,108	9,375	267
Intergovernmental	196,264	298,543	307,303	8,760
Other	275	418	430	12
<i>Total receipts</i>	<u>2,479,932</u>	<u>2,528,776</u>	<u>2,544,842</u>	<u>16,066</u>
Disbursements				
Current:				
Public Safety	2,451,828	2,580,159	2,216,269	363,890
Capital Outlay	47,000	47,000	33,902	13,098
<i>Total Disbursements</i>	<u>2,498,828</u>	<u>2,627,159</u>	<u>2,250,171</u>	<u>376,988</u>
<i>Net Change in Fund Balance</i>	(18,896)	(98,383)	294,671	393,054
<i>Fund Balance Beginning of Year</i>	98,384	98,384	98,384	-
Prior Year Encumbrances Appropriated	68,290	68,290	68,290	-
<i>Fund Balance End of Year</i>	<u>\$ 147,778</u>	<u>\$ 68,291</u>	<u>\$ 461,345</u>	<u>\$ 393,054</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 1,146,331	\$ 1,166,140	\$ 1,172,723	\$ 6,583
Intergovernmental	152,730	162,186	164,348	2,162
Other	2,131	2,263	2,293	30
<i>Total receipts</i>	<u>1,301,192</u>	<u>1,330,589</u>	<u>1,339,364</u>	<u>8,775</u>
Disbursements				
Current:				
Public Safety	1,382,113	1,405,856	1,392,389	13,467
Capital Outlay	144,181	144,181	62,189	81,992
<i>Total Disbursements</i>	<u>1,526,294</u>	<u>1,550,037</u>	<u>1,454,578</u>	<u>95,459</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(225,102)	(219,448)	(115,214)	104,234
Other Financing Sources (Uses)				
Transfers In	5,246	5,589	5,664	75
<i>Total Other Financing Sources (Uses)</i>	<u>5,246</u>	<u>5,589</u>	<u>5,664</u>	<u>75</u>
<i>Net Change in Fund Balance</i>	(219,856)	(213,859)	(109,550)	104,309
<i>Fund Balance Beginning of Year</i>	231,859	231,859	231,859	-
Prior Year Encumbrances Appropriated	21,687	21,687	21,687	-
<i>Fund Balance End of Year</i>	<u>\$ 33,690</u>	<u>\$ 39,687</u>	<u>\$ 143,996</u>	<u>\$ 104,309</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
JEDD Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Interest	-	-	42,980	42,980
<i>Total receipts</i>	<u>250,000</u>	<u>250,000</u>	<u>292,980</u>	<u>42,980</u>
<i>Net Change in Fund Balance</i>	250,000	250,000	292,980	42,980
<i>Fund Balance Beginning of Year</i>	1,297,815	1,297,815	1,297,815	-
Prior Year Encumbrances Appropriated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 1,547,815</u>	<u>\$ 1,547,815</u>	<u>\$ 1,590,795</u>	<u>\$ 42,980</u>

See accompanying notes to the basic financial statements

Bath Township, Summit County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	<u>Agency</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$114,610</u>
Net Assets	
Restricted - Deposits	<u>\$114,610</u>

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The Township of Bath, Summit County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire, EMS and police protection, maintenance of Township roads, and cemetery maintenance.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its governmental activities. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, the Road and Bridge Fund, Police District Fund, Fire District Fund and Joint Economic Development Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Road and Bridge Fund receives property tax money for constructing, maintaining and repairing Township roads and bridges. The Police District Fund receives property tax money for providing police services to Township residents. The Fire District Fund receives special levy tax money for providing fire services to Township residents. The Joint Economic Development (JEDD) is dedicated to preserving the rural character of Bath Township which includes protecting the quality of its water.

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

Fiduciary Funds

Agency funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township's agency funds account for insurance proceeds to be held until required repairs to damaged property are made and approved by the Township, and to account for road opening deposits and road bonds that are returned when construction is complete.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

C. Basis of Accounting

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

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

D. Budgetary Process

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

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

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

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

E. Cash and Investments

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

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

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

During 2005, the Township invested in nonnegotiable certificates of deposit and STAR Ohio. The non-negotiable certificates of deposit are reported at cost.

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

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 were \$112,852.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township has no restricted assets.

G. Inventory and Prepaid Items

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

H. Capital Assets

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

I. Interfund Receivables/Payables

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

J. Accumulated Leave

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

K. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

L. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township had no such transactions in 2005.

M. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets totaling \$100,000 in the permanent fund are restricted and are non-expendable. Income on the Wilson Memorial Trust is restricted to training and equipment costs for safety forces.

N. Interfund Transactions

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

Note 3 – Change in Basis of Accounting

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

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Road and Bridge Fund, Police District Fund, Fire District Fund, and Joint Economic Development Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the modified cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$561,768 for the General Fund \$54,384 for the Road and Bridge Fund, \$49,433 for the Police District Fund, and \$113,754 for the Fire District Fund.

Note 5 – Deposits and Investments

State statutes classify monies held by the Township into three categories.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

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

Inactive deposits are public deposits that the Township has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Interim monies may be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2005, \$2,007,964 of the Library's bank balance of \$2,107,964 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

As of December 31, 2005, the Township had \$2,804,239 invested in STAROhio.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAR Ohio carries a rating of AAA by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

Note 6 – Property Taxes

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

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

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

The full tax rate for all Township operations for the year ended December 31, 2005, was \$5.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

Real Property		
Residential and Agricultural	\$	389,300,120
Other		65,567,500
Public Utility		
Personal		<u>27,737,993</u>
Total Assessed Value		<u><u>\$ 482,605,613</u></u>

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with Wichert Insurance as their broker for the following coverage with the respective companies listed below:

Type	Amount	Limit	Company
Legal Liability	\$ 1,000,000 3,000,000	Per Occurrence General Aggregate	Westfield Co. Westfield Co.
Automobile Liability	\$ 1,000,000	Per Occurrence	Westfield Co.
Law Enforcement Operations	\$ 1,000,000	Per Occurrence	Scottsdale Indemnity
Wrongful Acts	\$ 1,000,000	Per Occurance & Annual Aggregate	Scottsdale Indemnity
Property, Boiler & Equipment	\$ 7,471,723	Limit	Westfield Co.

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2005, members were required to contribute 8.5 percent of their annual covered salaries and the Township's contribution rate for 2005 was 13.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional plan for the years ended December 31, 2005, 2004, and 2003 were \$409,857, \$375,624, and \$367,040 respectively. The full amount has been contributed for 2005, 2004 and 2003.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary, while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State statute. The Township's contributions to the Fund for firefighters were \$153,562 for the year ended December 31, 2005, \$151,267 for the year ended December 31, 2004 and \$131,706 for the year ended December 31, 2003. The full amount has been contributed for 2005, 2004 and 2003.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with the traditional plan. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional plan is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$120,990. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

B. Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total firefighter contribution rate is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

Note 10 - Debt

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2004
Governmental Activities:					
General Obligation Bonds	4.30%	\$ 2,714,958	\$ -	\$ 185,000	\$ 2,529,958

The general obligation bonds provided resources for the Bath Nature Preserve project. The Township purchased land from the Firestone Estate and converted the land to a nature preserve. These voter-approved bonds are being repaid in annual installments over 17 years.

Bath Township, Summit County
Notes to the Financial Statements
For the Year Ended December 31, 2005

The following is a summary of the Township's future annual debt service requirements:

	G.O. Bonds	
	Principal	Interest
2006	\$ 195,000	\$ 120,330
2007	51,309	265,441
2008	48,649	268,101
2009	205,000	111,750
2010	215,000	101,500
2011-2015	1,235,000	336,000
2016-2017	580,000	43,750
Total	\$ 2,529,958	\$ 1,246,872

Note 11 – Construction and Contractual Commitments

The Township is currently constructing a new fire station at a total cost of approximately \$2.1 million. This new station, to be completed in 2006, is a joint venture with Copley Township and will replace the existing Fire Station No. 2 which currently serves this purpose. Anticipated cost to Bath Township is \$1.05 million including land and “Turn-key” construction costs.

Note 12 – Contingent Liabilities/ Subsequent Events

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

Management believes there are no pending claims or lawsuits.

Note 13 – Joint Ventures

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

The Township jointly operates a fire station with Copley Township. The Township is responsible for 100% of utilities and 50% of payroll costs for the station. For the year ended December 31, 2005, the Township's expenditures for the fire station were \$131,458.

Note 14 – Interfund Transfers

The Township transferred receipts collected in the Special Revenue FEMA funds to the General, Road and Bridge, and Fire District funds. These funds met all applicable requirements of the FEMA grant agreement and the Ohio Revised Code.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS REQUIRED BY GOVERNMENT AUDITING STANDARDS**

The Board of Trustees
Bath Township
3864 W. Bath Road
Bath, Ohio 44210-1188

We have audited the financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Bath Township, Summit County, Ohio (the Township), as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 17, 2006, wherein we noted that the Township uses a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted other matters involving compliance that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 17, 2006.

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

Charles E. Harris and Associates, Inc.
May 17, 2006

STATUS OF PRIOR AUDIT'S CITATIONS AND RECOMMENDATIONS

The prior audit report, for the year ending December 31, 2004, reported no material citations or recommendations.



**Auditor of State
Betty Montgomery**

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BATH TOWNSHIP

SUMMIT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 8, 2006**