



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**PAINT TOWNSHIP
HIGHLAND COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Paint Township
Highland County
13225 Barrett Mill Road
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited the accompanying financial statements of Paint Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999. 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserve for encumbrances of the Township as of December 31, 2000 and 1999, 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 28, 2001 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

March 28, 2001

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**PAINT TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Nonexpendable Trust</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$37,440	\$96,553	\$0	\$133,993
Intergovernmental	63,200	80,488	0	143,688
Charges for Services	7,398	0	0	7,398
Interest	1,321	362	1,089	2,772
Other Revenue	1,513	6,012	0	7,525
	<u>110,872</u>	<u>183,415</u>	<u>1,089</u>	<u>295,376</u>
Cash Disbursements:				
Current:				
General Government	40,437	0	0	40,437
Public Safety	200	23,194	0	23,394
Public Works	18,493	136,907	0	155,400
Health	13,837	0	0	13,837
Contract Services	0	0	1,025	1,025
Debt Service	10,568	0	0	10,568
Capital Outlay	10,000	7,564	0	17,564
	<u>93,535</u>	<u>167,665</u>	<u>1,025</u>	<u>262,225</u>
Total Cash Receipts Over/(Under) Cash disbursements	17,337	15,750	64	33,151
Fund Cash Balances, January 1	68,808	50,369	18,828	138,005
Fund Cash Balances, December 31	<u>\$86,145</u>	<u>\$66,119</u>	<u>\$18,892</u>	<u>\$171,156</u>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

HIGHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1999

	General	Special Revenue	Fiduciary Nonexpendable Trust	Totals (Memorandum Only)
Cash Receipts:				
Local Taxes	\$36,240	\$79,815	\$0	\$116,055
Intergovernmental	85,786	93,976	0	179,762
Charges for Services	6,497	0	0	6,497
Interest	1,773	81	992	2,846
Other Revenue	5,143	8,031	0	13,174
Total Cash Receipts	135,439	181,903	992	318,334
Cash Disbursements:				
Current:				
General Government	43,499	0	0	43,499
Public Safety	200	23,131	0	23,331
Public Works	0	149,139	0	149,139
Health	10,646	0	0	10,646
Debt Service	4,061	0	0	4,061
Capital Outlay	89,485	35,707	0	125,192
Total Cash Disbursements	147,891	207,977	1,695	357,563
Total Receipts Over/(Under) Disbursements	(12,452)	(26,074)	(703)	(39,229)
Other Financing Receipts/(Disbursements):				
Proceeds from Note	0	22,500	0	22,500
Total Other Financing Receipts/(Disbursements)	0	22,500	0	22,500
Total Cash Receipts Over/(Under) Cash Disbursements	(12,452)	(3,574)	(703)	(16,729)
Fund Cash Balances, January 1	81,260	53,943	19,531	154,734
Fund Cash Balances, December 31	\$68,808	\$50,369	\$18,828	\$138,005
Reserve for Encumbrances, December 31	\$0	\$11,615	\$0	\$11,615

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

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Paint Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and cemetery maintenance. The Township contracts with the City of Hillsboro to provide fire services.

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

B. Basis of Accounting

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

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

C. Cash and Deposits

The Township invests all available funds in a "Public Fund Now" checking account and certificates of deposit with local commercial banks.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

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

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Motor Vehicle License Tax Fund - This fund receives motor vehicle tax money for constructing, maintaining and repairing Township roads.

Fire Levy Fund - This fund receives property tax money for the fire protection contract with the City of Hillsboro.

Permissive Motor Vehicle License Tax Fund - This fund receives proceeds from tax levied on all motor vehicle licenses sold in the Township for road and maintenance and repairs.

3. Fiduciary Funds (Nonexpendable Trust Funds)

These funds are used to account for resources restricted by legally binding trust agreements. The Township had several non-expendable trust funds for maintenance and upkeep of cemeteries.

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. Unencumbered appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must 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 carried over and need not be reappropriated. The Township did not encumber all commitments as required by Ohio law. The accompanying financial statements have been adjusted to include encumbrances that should have been recorded at year end.

A summary of 2000 and 1999 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

2. EQUITY IN POOLED CASH AND DEPOSITS

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

	<u>2000</u>	<u>1999</u>
Demand deposits	\$152,356	\$119,205
Certificates of deposit	<u>18,800</u>	<u>18,800</u>
 Total deposits	 <u><u>\$171,156</u></u>	 <u><u>\$138,005</u></u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) collateralized by the financial institution's public entity deposit pool.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2000 and 1999, was as follows:

2000 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 79,100	\$110,872	\$31,772
Special Revenue	<u>177,245</u>	<u>183,415</u>	<u>6,170</u>
Total	<u><u>\$256,345</u></u>	<u><u>\$294,287</u></u>	<u><u>\$37,942</u></u>

2000 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,907	\$ 93,535	\$ 54,372
Special Revenue	<u>227,614</u>	<u>167,665</u>	<u>59,949</u>
Total	<u><u>\$375,521</u></u>	<u><u>\$261,200</u></u>	<u><u>\$114,321</u></u>

1999 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 78,500	\$135,439	\$56,939
Special Revenue	<u>168,885</u>	<u>181,903</u>	<u>13,018</u>
Total	<u><u>\$247,385</u></u>	<u><u>\$317,342</u></u>	<u><u>\$69,957</u></u>

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

1999 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$147,907	\$147,891	\$ 16
Special Revenue	227,614	197,092	30,522
Total	\$375,521	\$344,983	\$30,538

The Township did not obtain prior certification of the fiscal officer for purchases nor were commitments encumbered as required by Ohio Law.

4. PROPERTY TAX

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

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

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, 2000 was as follows:

	Principal	Interest Rate
Installment Loan - Ford Truck	\$10,989	6%
Installment Loan - Gradall Excavator	17,366	6%
Total	\$28,355	

The general obligation loans were issued to finance the purchase of a truck and excavator to be used for Township road maintenance. The loans are unsecured and collateralized solely by the Township's taxing authority.

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2000 AND 1999
(Continued)**

5. DEBT (Continued)

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

Year ending December 31:	Installment Loan Truck	Installment Loan Gradall
1999	\$4,061	\$0
2000	4,061	6,507
2001	4,061	6,507
2002	4,061	6,507
2003	4,061	6,507
Subsequent	0	6,507
Total	\$20,305	\$32,535

6. RETIREMENT SYSTEMS

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

Contribution rates are also prescribed by the Ohio Revised Code. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% in 1999 and 8.13% in 2000 of participants' gross salaries. The Township has paid all contributions required through December 31, 2000.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property
- General liability
- Vehicles

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

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Paint Township
Highland County
13225 Barrett Mill Road
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited the accompanying financial statements of Paint Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 2000 and 1999, and have issued our report thereon dated March 28, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 2000-40436-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated March 28, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-40436-001

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that

are also considered to be material weaknesses. However, we consider the reportable condition described as item 2000-40436-001 above, to be a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated March 28, 2001.

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

Jim Petro
Auditor of State

March 28, 2001

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2000 AND 1999**

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

FINDING NUMBER 2000-40436-001

Noncompliance Citation- Material Weakness

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This Section also provides for two exceptions to the above requirements:

1. Then and Now Certificates- If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

Of the expenditures tested, 53% did not contain either the prior certification or then and now certification of the fiscal officer. Also, at December 31, 1999, commitments for goods and services existed that did not have prior certification and were not encumbered against 1999 appropriations in amounts that were material to the Special Revenue Funds' balance. The accompanying financial statements have been adjusted to include encumbrances that should have been recorded at year end.

This procedure is not only required by Ohio law, but it is also a key control in the disbursement process. Without proper certification of funds, disbursements could be made without adequate current resources being available or disbursements could be made in excess of authorized appropriations. We recommend that prior certifications be done for all disbursements. In instances when prior certifications are not practical, "then and now" certifications should be made.



STATE OF OHIO
OFFICE OF THE AUDITOR

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PAINT TOWNSHIP

HIGHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 26, 2001**