



**Auditor of State  
Betty Montgomery**



**PAINT TOWNSHIP  
FAYETTE COUNTY**

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Paint Township  
Fayette County  
11899 S.R. 38 NE  
Bloomington, Ohio 43106

To the Board of Trustees:

We have audited the accompanying financial statements of Paint Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2003 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

**Betty Montgomery**  
Auditor of State

September 2, 2003

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>			
Local Taxes	\$ 8,127	\$ 18,006	\$ 26,133
Intergovernmental	161,903	61,655	223,558
Earnings on Investments	2,010	1,348	3,358
Other Revenue		2,000	2,000
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	172,040	83,009	255,049
<b>Cash Disbursements:</b>			
Current:			
General Government	32,080		32,080
Public Safety	8,000		8,000
Public Works		29,225	29,225
Health	2,377	2,180	4,557
Capital Outlay	450	67,880	68,330
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	42,907	99,285	142,192
Total Receipts Over/(Under) Disbursements	<hr/>	<hr/>	<hr/>
	129,133	(16,276)	112,857
Fund Cash Balances, January 1	<hr/>	<hr/>	<hr/>
	57,356	261,819	319,175
<b>Fund Cash Balances, December 31</b>	<hr/>	<hr/>	<hr/>
	<b>\$ 186,489</b>	<b>\$ 245,543</b>	<b>\$ 432,032</b>

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

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

	<b>General</b>	<b>Special Revenue</b>	<b>Totals (Memorandum Only)</b>
<b>Cash Receipts:</b>			
Local Taxes	\$ 8,062	\$ 18,069	\$ 26,131
Intergovernmental	52,102	64,628	116,730
Earnings on Investments	3,283	2,894	6,177
Other Revenue		3,407	3,407
	<u>63,447</u>	<u>88,998</u>	<u>152,445</u>
<b>Cash Disbursements:</b>			
Current:			
General Government	34,528		34,528
Public Safety	8,000		8,000
Public Works		27,953	27,953
Health	3,539		3,539
Capital Outlay	1,250	8,414	9,664
	<u>47,317</u>	<u>36,367</u>	<u>83,684</u>
Total Receipts Over Disbursements	<u>16,130</u>	<u>52,631</u>	<u>68,761</u>
Fund Cash Balances, January 1	<u>41,226</u>	<u>209,188</u>	<u>250,414</u>
<b>Fund Cash Balances, December 31</b>	<b>\$ 57,356</b>	<b>\$ 261,819</b>	<b>\$ 319,175</b>

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



**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Paint Township, Fayette 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 road and cemetery maintenance. The Township contracts with the Bloomingburg-Paint-Marion Fire District to provide fire protection and ambulance 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 "Premium Business Interest" checking account at a local commercial bank.

**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:

*Motor Vehicle License Tax Fund* - This fund receives gasoline tax and motor vehicle license tax money to pay 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  
FAYETTE COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Permissive Motor Vehicle License Tax Fund* – This fund receives proceeds from taxes levied by the Township and levied by Fayette County on motor vehicle license sold for road maintenance and repairs.

**E. Budgetary Process**

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

**1. Appropriations**

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

**2. Estimated Resources**

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

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. There were no material encumbrances outstanding at December 31, 2002 or 2001.

A summary of 2002 and 2001 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.

**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>2002</u>	<u>2001</u>
Demand deposits	<u>\$432,032</u>	<u>\$319,175</u>

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

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,745	\$172,040	\$153,295
Special Revenue	80,870	83,009	2,139
Total	\$99,615	\$255,049	\$155,434

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$84,034	\$42,907	\$41,127
Special Revenue	334,756	99,285	235,471
Total	\$418,790	\$142,192	\$276,598

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$18,993	\$63,447	\$44,454
Special Revenue	81,275	88,998	7,723
Total	\$100,268	\$152,445	\$52,177

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,186	\$47,317	\$40,869
Special Revenue	262,497	36,367	226,130
Total	\$350,683	\$83,684	\$266,999

The Township did not obtain prior certification of the fiscal officer for all purchase commitments 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.

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**4. PROPERTY TAX (Continued)**

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. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of OPERS contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2002.

**6. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss with an annual aggregate of \$700,000 for 2001 and \$1,250,000 for 2002. The Travelers Indemnity Company reinsures losses exceeding \$10,000 if the annual aggregate is reached and all specific losses exceeding \$100,000. APEEP's Operating Fund and Guarantee Fund pay for losses and loss adjustment expenses should they exceed operating contributions.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31:

<u>Casualty Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$23,757,036	\$23,703,776
Liabilities	(9,197,512)	(9,379,003)
Retained earnings	<u>\$14,559,524</u>	<u>\$14,324,773</u>

<u>Property Coverage</u>	<u>2002</u>	<u>2001</u>
Assets	\$6,596,996	\$5,011,131
Liabilities	(1,204,326)	(647,667)
Retained earnings	<u>\$5,392,670</u>	<u>\$4,363,464</u>

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**Auditor of State  
Betty Montgomery**

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

Paint Township  
Fayette County  
11899 S.R. 38 NE  
Bloomingsburg, Ohio 43106

To the Board of Trustees:

We have audited the accompanying financial statements of Paint Township, Fayette County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated September 2, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. We noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated September 2, 2003.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal over financial reporting and its operation that we consider to be a reportable condition. 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 2002-001.

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 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 considered to be material weaknesses. However, we do not consider the reportable condition described as item 2002-001 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 September 2, 2003.

This report is intended solely 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.

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

**Betty Montgomery**  
Auditor of State

September 2, 2003



**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2002-001**

**Reportable Condition**

The accounting records and the annual financial reports should be used by the officials to make informed decisions in managing the township. If the financial statements are not accurate and complete the officials cannot rely on them as an aide in decision making.

Certain receipts were posted to incorrect receipt codes and in some instances to improper funds in the accounting records. These improperly posted receipts then carried to the unaudited annual financial reports prepared by the Township. Adjustments were made to the accompanying financial statements to correctly reflect these receipts.

A summary of these adjustments, by fund type, are as follows:

<u>2002</u>	<u>General</u>	<u>Special Revenue</u>
Intergovernmental	\$(1,995)	\$1,995
Earnings on Investments	746	(746)
<u>2001</u>		
Intergovernmental	\$(1,913)	\$1,913
Earnings on Investments	1,781	(1,781)

The annual financial reports were not properly completed. The following columns and statements were left blank:

- “Special Revenue” column of the Combined Statements of Receipts, Disbursements, and Changes in Fund Cash Balances.
- “Total Memorandum Only” column of the Combined Statements of Receipts, Disbursements, and Changes in Fund Cash Balances.
- “Total Special Revenue Fund” column of the Combining Statements of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances.
- Statements of Comparisons of Budgeted and Actual Receipts.
- Statements of Comparison of Disbursements and Encumbrances with Expenditure Authority.

Township officials should review the Ohio Administrative Code and the Ohio Township Handbook for the proper accounts classifications, and review the instructions and the headings in the annual report to assure that it is properly completed. Township Trustees should also review the accounting records on a regular basis and review the annual financial reports before they are filed.

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**PAINT TOWNSHIP  
FAYETTE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FISCAL YEAR END DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain:</i></b>
2000-40436-001	Prior certification not obtained for purchase commitments	No	Partially corrected. Then and now certifications were signed for all expenditures. Management letter recommendation issued.





**Auditor of State  
Betty Montgomery**

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800-282-0370  
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**PAINT TOWNSHIP**

**FAYETTE 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  
SEPTEMBER 23, 2003**