

**PAINT TOWNSHIP  
FAYETTE COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004-2003**

**Vanessa L. Blevins  
Certified Public Accountant**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Paint Township, Fayette County  
11899 SR 38 NW  
Bloomingsburg, OH 43106

We have reviewed the *Independent Accountants' Report* of Paint Township, Fayette County, prepared by Vanessa L. Blevins, CPA, for the audit period January 1, 2003 to December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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. Paint Township, Fayette County is responsible for compliance with these laws and regulations.

*Betty Montgomery*

BETTY MONTGOMERY  
Auditor of State

May 25, 2006

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**PAINT TOWNSHIP  
FAYETTE COUNTY**

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**VANESSA L. BLEVINS**  
***Certified Public Accountant***

**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, 2004 and December 31, 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or its changes in financial position or cash flows of its proprietary funds for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Paint Township, Fayette County, Ohio, as of December 31, 2004 and December 31, 2003, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2006 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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 the results of that testing. 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.

**Vanessa L. Blevins**  
***Certified Public Accountant***

May 8, 2006



**PAINT TOWNSHIP  
FAYETTE COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

|   | <u>Governmental Fund Types</u> |                            | <b>Totals<br/>(Memorandum<br/>Only)</b> |
|---|--------------------------------|----------------------------|---|
|   | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>                     |                                |                            |   |
| Local Taxes                               | \$9,961                        | \$21,535                   | \$31,495                                |
| Intergovernmental                         | 344,051                        | 117,455                    | 461,506                                 |
| Licenses, Permits, and Fees               | 0                              | 1,906                      | 1,906                                   |
| Earnings on Investments                   | 1,404                          | 1,765                      | 3,169                                   |
| Other Revenue                             | 0                              | 0                          | 0                                       |
|   | <u>355,416</u>                 | <u>142,660</u>             | <u>498,076</u>                          |
| <b>Total Cash Receipts</b>                |                                |                            |   |
| <b>Cash Disbursements:</b>                |                                |                            |   |
| Current:                                  |                                |                            |   |
| General Government                        | 36,213                         | 0                          | 36,213                                  |
| Public Safety                             | 518                            | 107,531                    | 108,049                                 |
| Public Works                              | 0                              | 0                          | 0                                       |
| Health                                    | 4,688                          | 0                          | 4,688                                   |
| Supplies and Materials                    | 0                              | 0                          | 0                                       |
| Capital Outlay                            | 1,560                          | 40,791                     | 42,351                                  |
|   | <u>42,978</u>                  | <u>148,322</u>             | <u>191,301</u>                          |
| <b>Total Cash Disbursements</b>           |                                |                            |   |
| Total Receipts Over/(Under) Disbursements | <u>312,438</u>                 | <u>(5,662)</u>             | <u>306,776</u>                          |
| Fund Cash Balances, January 1             | <u>208,814</u>                 | <u>303,783</u>             | <u>512,596</u>                          |
| <b>Fund Cash Balances, December 31</b>    | <b><u>\$521,252</u></b>        | <b><u>\$298,120</u></b>    | <b><u>\$819,372</u></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 AND FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2003**

|  | <u>Governmental Fund Types</u> |                            | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|--------------------------------|----------------------------|---|
|  | <u>General</u>                 | <u>Special<br/>Revenue</u> |   |
| <b>Cash Receipts:</b>                            |                                |                            |   |
| Local Taxes                                      | \$8,375                        | \$47,616                   | \$55,991                                |
| Intergovernmental                                | 60,526                         | 77,700                     | 138,226                                 |
| Licenses, Permits, and Fees                      | 0                              | 0                          | 0                                       |
| Earnings on Investments                          | 1,797                          | 1,417                      | 3,214                                   |
| Other Revenue                                    | 0                              | 0                          | 0                                       |
|  | <u>70,698</u>                  | <u>126,732</u>             | <u>197,431</u>                          |
| <b>Total Cash Receipts</b>                       |                                |                            |   |
|  | <u>70,698</u>                  | <u>126,732</u>             | <u>197,431</u>                          |
| <b>Cash Disbursements:</b>                       |                                |                            |   |
| Current:   |                                |                            |   |
| General Government                               | 42,907                         | 0                          | 42,907                                  |
| Public Safety                                    | 217                            | 0                          | 217                                     |
| Public Works                                     | 0                              | 66,768                     | 66,768                                  |
| Health   | 5,250                          | 0                          | 5,250                                   |
| Supplies and Materials                           | 0                              | 0                          | 0                                       |
| Capital Outlay                                   | 0                              | 1,725                      | 1,725                                   |
|  | <u>48,374</u>                  | <u>68,493</u>              | <u>116,866</u>                          |
| <b>Total Cash Disbursements</b>                  |                                |                            |   |
|  | <u>48,374</u>                  | <u>68,493</u>              | <u>116,866</u>                          |
| <b>Total Receipts Over/(Under) Disbursements</b> | <u>22,325</u>                  | <u>58,240</u>              | <u>80,564</u>                           |
| <b>Fund Cash Balances, January 1</b>             | <u>186,489</u>                 | <u>245,543</u>             | <u>432,032</u>                          |
| <b>Fund Cash Balances, December 31</b>           | <u><b>\$208,814</b></u>        | <u><b>\$303,783</b></u>    | <u><b>\$512,596</b></u>                 |

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

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**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:

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

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

**D. Fund Accounting (Continued)**

**Special Revenue Funds (Continued)**

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

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

*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 canceled, and re-appropriated in the subsequent year.

A summary of 2004 and 2003 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  
FAYETTE COUNTY**

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

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

|                         | 2004      | 2003      |
|-------------------------|-----------|-----------|
| Demand deposits         | \$719,372 | \$512,596 |
| Certificates of deposit | 100,000   | 0         |
| Total deposits          | 819,372   | 512,596   |

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

**3. BUDGETARY ACTIVITY**

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

2004 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance  |
|-----------------|----------------------|--------------------|-----------|
| General         | \$18,840             | \$355,416          | \$336,576 |
| Special Revenue | 107,930              | 142,660            | 34,730    |
| Total           | \$126,770            | \$498,076          | \$371,306 |

2004 Budgeted vs. Actual Budgetary Basis Expenditures

| Fund Type       | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
|-----------------|----------------------------|---------------------------|-----------|
| General         | \$222,153                  | \$42,978                  | \$179,175 |
| Special Revenue | 417,214                    | 148,323                   | 268,891   |
| Total           | \$639,367                  | \$191,301                 | \$448,066 |

2003 Budgeted vs. Actual Receipts

| Fund Type       | Budgeted<br>Receipts | Actual<br>Receipts | Variance |
|-----------------|----------------------|--------------------|----------|
| General         | \$19,180             | \$70,698           | \$51,518 |
| Special Revenue | 110,940              | 126,732            | 15,792   |
| Total           | \$130,120            | \$197,430          | \$67,310 |

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

| 2003 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$213,732                  | \$48,374                  | \$165,358 |
| Special Revenue                                       | 348,460                    | 68,493                    | 279,967   |
| Fiduciary   | 0                          | 0                         | 0         |
| Total   | \$562,192                  | \$116,867                 | \$445,325 |

**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. RETIREMENT SYSTEMS**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, members of PERS members 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, 2004.

**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.

**PAINT TOWNSHIP  
FAYETTE COUNTY**

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

**6. RISK MANAGEMENT (Continued)**

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.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$10,000 on any specific loss. 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.

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

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

To the Board of Trustees:

We have audited the financial statements of Paint Township, Fayette County, Ohio (the Township) as of and for the years ended December 31, 2004 and December 31, 2003, and have issued our report thereon dated May 8, 2006, wherein we noted that the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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 the Comptroller General of the United States' *Government Auditing Standards*.

**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 to express our opinions on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the Township's management dated May 8, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under *Government Auditing Standards*. In a separate letter to the Township's management dated May 8, 2006, we reported other matters related to noncompliance we deemed immaterial

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

**VANESSA L. BLEVINS**  
***Certified Public Accountant***

May 8, 2006



**Auditor of State  
Betty Montgomery**

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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  
JUNE 8, 2006**