

***PAINT TOWNSHIP***

**WAYNE COUNTY, OHIO**

**AUDIT REPORT**

**For the Years Ended December 31, 2008 & 2007**

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





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Paint Township  
P.O. Box 178  
Mt. Eaton, Ohio 44659

We have reviewed the *Report of Independent Accountants* of Paint Township, Wayne County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2007 through December 31, 2008. 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 *Report of Independent Accountants* 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 *Report of Independent Accountants* 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 is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

June 9, 2009

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*PAINT TOWNSHIP*  
WAYNE COUNTY, OHIO  
Audit Report  
For the years ended December 31, 2008 & 2007

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REPORT OF INDEPENDENT ACCOUNTANTS

Paint Township  
Wayne County  
7800 West Lebanon Road SW  
Navarre, OH 44256

To the Board of Trustees:

We have audited the accompanying financial statements of Paint Township, Wayne County, Ohio (the Township) as and for the years ended December 31, 2008 and 2007. 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 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 years ended December 31, 2008 and 2007. Instead of the combined funds the accompanying financial statements present for 2008 and 2007, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for both years. 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 the 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 years ended December 31, 2008 and 2007, 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, 2008 and 2007, or its changes in financial position 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 of the Paint Township, as of December 31, 2008 and 2007, 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 years ended December 31, 2008 and 2007. 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 26, 2009, 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 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 26, 2009



**PAINT TOWNSHIP  
WAYNE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
<u>Cash Receipts:</u>			
Local Taxes	\$ 30,114	\$ 408,339	\$ 438,453
Intergovernmental	81,627	149,729	231,356
Charges for Services	-	11,369	11,369
Earnings on Investments	937	137	1,074
Other	1,393	1,928	3,321
Total Cash Disbursements	114,071	571,502	685,573
<u>Cash Disbursements:</u>			
Current:			
General Government	65,832	25,862	91,694
Public Safety	-	46,369	46,369
Public Works	-	464,741	464,741
Health	11,332	-	11,332
Capital Outlay	-	354,831	354,831
Total Cash Disbursements	77,164	891,803	968,967
Total Cash Receipts Over/(Under) Cash Disbursements	36,907	(320,301)	(283,394)
Other Financing Sources/(Uses) Proceeds of Loan	-	240,000	240,000
Total Other Financing Sources/(Uses)	-	240,000	240,000
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	36,907	(80,301)	(43,394)
Fund Balance - January 1, 2008	45,160	328,436	373,596
Fund Balance - December 31, 2008	\$ 82,067	\$ 248,135	\$ 330,202

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

**PAINT TOWNSHIP  
WAYNE COUNTY  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	
<u>Cash Receipts:</u>			
Local Taxes	\$ 28,268	\$ 390,963	\$ 419,231
Intergovernmental	82,347	145,530	227,877
Charges for Services	-	10,964	10,964
Earnings on Investments	1,403	341	1,744
Other	1,495	3,426	4,921
	<u>113,513</u>	<u>551,224</u>	<u>664,737</u>
Total Cash Receipts	113,513	551,224	664,737
<u>Cash Disbursements:</u>			
Current:			
General Government	65,093	22,181	87,274
Public Safety	-	41,177	41,177
Public Works	-	430,980	430,980
Health	11,999	-	11,999
Capital Outlay	-	25,718	25,718
	<u>77,092</u>	<u>520,056</u>	<u>597,148</u>
Total Cash Disbursements	77,092	520,056	597,148
Total Cash Receipts Over/(Under) Cash Disbursements	36,421	31,168	67,589
Fund Balance - January 1, 2007	<u>8,739</u>	<u>297,268</u>	<u>306,007</u>
Fund Balance - December 31, 2007	\$ <u><u>45,160</u></u>	\$ <u><u>328,436</u></u>	\$ <u><u>373,596</u></u>

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

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Paint Township, Wayne 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 bridge maintenance, fire protection, and emergency medical services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting 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.

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

**C. Cash**

The Township maintains all cash in a money market checking account.

**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 has the following significant Special Revenue Funds:

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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

**D. Fund Accounting (Continued)**

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

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

*Fire District Fund* - This fund receives property tax money from a special levy to operate a volunteer fire department.

*Road District Levy Fund* - This fund receives property tax money from a special levy to help maintain Township roads.

**E. Budgetary Process**

The Ohio Revised requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the object level, which is the Township's legal level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve the appropriation measure and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at the 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 with individual commitments are made. Encumbrances outstanding at year end are canceled and reappropriated in the subsequent year.

A summary of 2008 and 2007 budgetary activity appears in Note 3.

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

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

**F. Property, Plant and Equipment**

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

**G. Accumulated Leave**

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

2. **EQUITY IN POOLED CASH**

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

	2008	2007
Demand deposits	\$ 330,202	\$ 373,596

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2008 and 2007 follows:

2008 Budgeted Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 74,750	\$ 114,071	\$ 39,321
Special Revenue	547,814	811,502	\$ 263,688
Total	\$ 622,564	\$ 925,573	\$ 303,009

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

**3. BUDGETARY ACTIVITY (CONTINUED)**

2008 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriations	Budgetary Disbursements	Variance
General	\$ 127,784	\$ 77,164	\$ 50,620
Special Revenue	868,376	891,803	(23,427)
Total	\$ 996,160	\$ 968,967	\$ 27,193

2007 Budgeted Vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 113,413	\$ 113,513	\$ 100
Special Revenue	577,508	551,224	(26,284)
Total	\$ 690,921	\$ 664,737	\$ (26,184)

2007 Budgeted vs. Actual Budgetary Basis Disbursements			
Fund Type	Appropriations	Budgetary Disbursements	Variance
General	\$ 81,904	\$ 77,092	\$ 4,812
Special Revenue	807,694	520,056	287,638
Total	\$ 889,598	\$ 597,148	\$ 292,450

**4. PROPERTY TAXES**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by the 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 payments, 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.

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

**5. DEFINED BENEFIT PENSION PLAN**

Full-time employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS 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 2008, OPERS members contributed 10% of their gross salaries. For 2007, OPERS members contributed 9.5 % of their gross salaries. The Township contributed an amount equal to 14% for 2008 and 13.85% for 2007 of participants' gross salaries. The Township has paid all contributions required through December 31, 2008.

**6. RISK MANAGEMENT**

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 - For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

**6. RISK MANAGEMENT (CONTINUED)**

Property Coverage - Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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. Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

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, 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.



PAINT TOWNSHIP  
WAYNE COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2008 AND 2007

7. **DEBT**

In 2008, the Township has entered a \$240,000 loan with First Merit Bank for building the Township garage. The Township will start making the payments and interest payments in 2009.

The amortization of the above debt for the period of 2009 to 2015, including interest, is scheduled as follows:

<b>Debt Amortization Schedule</b>			
<b>Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
<b>2009</b>	<b>\$ 8,556</b>	<b>\$ 12,747</b>	<b>\$ 21,303</b>
<b>2010</b>	<b>12,166</b>	<b>9,137</b>	<b>21,303</b>
<b>2011</b>	<b>12,657</b>	<b>8,646</b>	<b>21,303</b>
<b>2012-2015</b>	<b>206,621</b>	<b>29,259</b>	<b>235,880</b>
<b>Total</b>	<b><u>\$ 240,000</u></b>	<b><u>\$ 59,789</u></b>	<b><u>\$ 299,789</u></b>

8. **SUBSEQUENT EVENTS/PENDING LITIGATION**

Management believes there are no pending claims or lawsuits.

9. **MATERIAL NONCOMPLIANCE**

Contrary to Ohio Revised Code Section 5705.41(D), the Township had disbursements made prior to the encumbrance being made.

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***Charles E. Harris & Associates, Inc.***  
*Certified Public Accountants*

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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**

Paint Township  
Wayne County  
7800 West Lebanon Road SW  
Navarre, OH 44662

To the Board of Trustees:

We have audited the financial statements of Paint Township, Wayne County Ohio (Township) as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated May 26, 2009 wherein we noted the Township followed accounting practices prescribed or permitted by the Auditor of State of Ohio. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Controls Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting practices prescribed or permitted by the Auditor of State of Ohio such that there is more than a remote likelihood that a misstatement of the Township's financial statements that is more than inconsequential will not be prevented or detected by the Township's internal control. We consider the deficiency described in the accompanying schedule of findings as item 2008-002, to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above to be a material weakness.

#### 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, grants 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as item 2008-001 and item 2008-002.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

We also noted certain matters that we have reported to management of the Township in a separate letter dated May 26, 2009.

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.

***Charles E. Harris & Associates, Inc.***  
May 26, 2009

PAINT TOWNSHIP  
WAYNE COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2008 & 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2008-001 Noncompliance Citation

Ohio Revised Code Section 5705.41 (D), requires, in part, that no subdivision or taxing unit shall make any contract or order any expenditure unless there is attached thereto a certificate of the fiscal officer of the subdivision certifying that the amount required to meet the obligation has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Every contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement state above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

"Then and Now" Certificate – If the fiscal officer can certify that both at the time the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by resolution.

Amounts of less that \$3,000 may be paid by the fiscal officer without a resolution upon completion of the "then and now" certificate provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditure by the Township.

Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predicable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

PAINT TOWNSHIP  
WAYNE COUNTY  
SCHEDULE OF FINDINGS  
December 31, 2008 & 2007

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS - continued
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FINDING NUMBER 2008-001 Noncompliance Citation (continued)

The Township did not make the proper certification of funds in all instances. Thirty five of 70 selections tested during the audit period had the certifications after the obligation date. We recommend that the Township institute the use of purchase orders for any expenditure to be made and certify expenditures prior to incurring the liability. In instances where prior certification is not practical, we recommend the issuance of a “Then and Now” certificate.

Management Response:

The Fiscal Officer indicated that she will attempt to certify funds prior to purchases or use “Then and Now” certificates.

FINDING NUMBER 2008-002 Non-Compliance Citation and Significant Deficiency

We noted the Township had a new loan agreement entered in August of 2008 and several payments were made from the loan proceeds to contractors for building a new Township garage. The Township did not record the transactions of the loan and payment activities on the Township accounting books. Adjustments were made in the accompanying financial statements to reflect these transactions. The loan of \$240,000 should be recorded as Proceeds of Loans and the total contractor payments of \$234,923 that were financed with the debt should be recorded as Capital Outlay.

Since the disbursements and receipt of the loan were not recorded in the books, \$234,923 contractor payments were not properly appropriated in the Road and Bridge Fund, causing the expenditures to exceed appropriations. Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been appropriated.

The Township should ensure all activity is properly recorded and appropriated to avoid disbursing funds without budgeting.

Management Response:

Management agrees and will record the loan activities and appropriate funds as required by Ohio Revised Code regulation.

**PAINT TOWNSHIP  
WAYNE COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2008 & 2007**

<b>FINDING NUMBER</b>	<b>FINDING SUMMARY</b>	<b>FULLY CORRECTED?</b>	<b>Not Corrected. Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain</b>
<b>2006-PTWC-01</b>	<b>The District did not properly certify expenditures prior to purchases</b>	<b>No</b>	<b>Not Corrected; Repeated as Finding 2008-001</b>



Mary Taylor, CPA  
Auditor of State

PAINT TOWNSHIP

WAYNE 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 23, 2009