



**Auditor of State  
Betty Montgomery**



**PAXTON TOWNSHIP  
ROSS COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types and Non-Expendable Trust Fund – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements .....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i> .....	11

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

Paxton Township  
Ross County  
258 US Route 50  
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited the accompanying financial statements of Paxton Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 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 accounting principles generally accepted in the United States of America.

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 Paxton Township, Ross County, Ohio, as of December 31, 2002, and December 31, 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 April 22, 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 the audit committee, management, 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.

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

**BETTY MONTGOMERY**  
Auditor of State

April 22, 2003

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

	<u>Governmental Fund Types</u>			<b>Non- Expendable Trust Fund</b>	<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>		
<b>Cash Receipts:</b>					
Local Taxes	\$24,047	\$47,967	\$0	\$0	\$72,014
Intergovernmental	42,056	62,947	9,476	0	114,479
Charges for Services	6,300	0	0	0	6,300
Licenses, Permits, and Fees	0	9,301	0	0	9,301
Earnings on Investments	1,327	213	0	188	1,728
Other Revenue	1,776	8,492	0	0	10,268
	<u>75,506</u>	<u>128,920</u>	<u>9,476</u>	<u>188</u>	<u>214,090</u>
<b>Total Cash Receipts</b>					
	75,506	128,920	9,476	188	214,090
<b>Cash Disbursements:</b>					
Current:					
General Government	94,304	0	0	0	94,304
Public Safety	5,600	32,788	0	0	38,388
Public Works	10,292	59,037	0	0	69,329
Health	0	24,795	0	0	24,795
Debt Service:					
Redemption of Principal	0	0	17,765	0	17,765
Interest and Fiscal Charges	0	0	1,397	0	1,397
Capital Outlay	0	6,178	0	0	6,178
	<u>110,196</u>	<u>122,798</u>	<u>19,162</u>	<u>0</u>	<u>252,156</u>
<b>Total Cash Disbursements</b>					
	110,196	122,798	19,162	0	252,156
<b>Total Receipts Over/(Under) Disbursements</b>	(34,690)	6,122	(9,686)	188	(38,066)
<b>Fund Cash Balances, January 1</b>	57,609	102,523	9,686	4,478	174,296
<b>Fund Cash Balances, December 31</b>	<u><b>\$22,919</b></u>	<u><b>\$108,645</b></u>	<u><b>\$0</b></u>	<u><b>\$4,666</b></u>	<u><b>\$136,230</b></u>
Reserve for Encumbrances, December 31	<u>\$7,821</u>	<u>\$17,335</u>	<u>\$0</u>	<u>\$0</u>	<u>\$25,156</u>

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

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

	<u>Governmental Fund Types</u>				Non- Expendable Trust Fund	Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>		
<b>Cash Receipts:</b>						
Local Taxes	\$22,950	\$48,041	\$0	\$0	\$0	\$70,991
Intergovernmental	57,164	65,378	0	15,760	0	138,302
Charges for Services	2,900	0	0	0	0	2,900
Licenses, Permits, and Fees	0	9,075	0	0	0	9,075
Earnings on Investments	2,552	508	0	0	187	3,247
Other Revenue	4,566	3,665	0	0	0	8,231
<b>Total Cash Receipts</b>	<u>90,132</u>	<u>126,667</u>	<u>0</u>	<u>15,760</u>	<u>187</u>	<u>232,746</u>
<b>Cash Disbursements:</b>						
Current:						
General Government	83,035	0	0	0	0	83,035
Public Safety	4,802	20,873	0	0	0	25,675
Public Works	5,234	70,390	0	15,760	0	91,384
Health	0	10,649	0	0	0	10,649
Debt Service:						
Redemption of Principal	0	3,334	4,840	0	0	8,174
Interest and Fiscal Charges	0	1,511	0	0	0	1,511
Capital Outlay	0	17,961	0	0	0	17,961
<b>Total Cash Disbursements</b>	<u>93,071</u>	<u>124,718</u>	<u>4,840</u>	<u>15,760</u>	<u>0</u>	<u>238,389</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>(2,939)</u>	<u>1,949</u>	<u>(4,840)</u>	<u>0</u>	<u>187</u>	<u>(5,643)</u>
<b>Other Financing Receipts and (Disbursements):</b>						
Transfers-In	0	0	9,686	0	0	9,686
Transfers-Out	0	(9,686)	0	0	0	(9,686)
<b>Total Other Financing Receipts/(Disbursements)</b>	<u>0</u>	<u>(9,686)</u>	<u>9,686</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<u>(2,939)</u>	<u>(7,737)</u>	<u>4,846</u>	<u>0</u>	<u>187</u>	<u>(5,643)</u>
<b>Fund Cash Balances, January 1</b>	<u>60,548</u>	<u>110,260</u>	<u>4,840</u>	<u>0</u>	<u>4,291</u>	<u>179,939</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$57,609</b></u>	<u><b>\$102,523</b></u>	<u><b>\$9,686</b></u>	<u><b>\$0</b></u>	<u><b>\$4,478</b></u>	<u><b>\$174,296</b></u>

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

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Paxton Township, Ross County, (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 bridge maintenance, cemetery maintenance, and emergency medical services. The Township contracts with the Village of Bainbridge 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 Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Certificates of deposit are valued at cost.

**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.

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

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

**D. Fund Accounting (Continued)**

**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 and bridges.

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

**3. Debt Service Fund**

The debt service fund is used to accumulate resources for the payment of note indebtedness. The Township had the following Debt Service Fund:

*Debt Service Fund* - This fund receives gasoline tax money for debt incurred from the purchase of the Case Backhoe in 1996.

**4. Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following capital projects fund:

*Issue II Fund* - The Township received a grant from the State of Ohio to complete road work on various roads within the Township.

**5. Fiduciary Fund (Non Expendable Trust Fund)**

This fund is used to account for resources restricted by a legally binding trust agreement. The Township had the following significant fiduciary fund:

*Cemetery Bequest Fund* - This fund receives interest earned to be used for the upkeep of the cemetery.

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

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

**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 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 forward and need not be re-appropriated in the subsequent year.

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 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 at December 31 was as follows:

	<u>2002</u>	<u>2001</u>
Demand deposits	\$133,230	\$171,296
Certificates of deposit	3,000	3,000
Total deposits	<u>\$136,230</u>	<u>\$174,296</u>

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

**PAXTON TOWNSHIP  
ROSS 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 December 31, 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$75,435	\$75,506	\$71
Special Revenue	128,679	128,920	241
Debt Service	9,476	9,476	0
Non-Expendable Trust	180	188	8
Total	\$213,770	\$214,090	\$320

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$124,550	\$118,017	\$6,533
Special Revenue	211,489	140,133	71,356
Debt Service	19,162	19,162	0
Total	\$355,201	\$277,312	\$77,889

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$74,852	\$90,132	\$15,280
Special Revenue	128,006	126,667	(1,339)
Debt Service	9,686	9,686	0
Capital Projects	15,760	15,760	0
Non-Expendable Trust	175	187	12
Total	\$228,479	\$242,432	\$13,953

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$125,350	\$93,071	\$32,279
Special Revenue	214,259	134,404	79,855
Debt Service	4,840	4,840	0
Capital Projects	15,760	15,760	0
Total	\$360,209	\$248,075	\$112,134

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

**4. PROPERTY TAX**

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.

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**

The Township had no debt outstanding at December 31, 2002. The Township had debt outstanding during the audit period; however, the debt was paid off as of August 22, 2002. The debt was in the form of a Bank Note for a Case Backhoe, issued in 1996. The Township paid annual installments of \$9,685, including interest. Gasoline tax receipts were pledged for the repayment of the debt.

**6. RETIREMENT SYSTEM**

The Township's 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. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries for 2002 and 2001. The Township has paid all contributions required through December 31, 2002.

**7. RISK MANAGEMENT**

**Risk Pool Membership**

The Township belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association with over 600 governmental entity members providing a formalized, jointly administered self-insurance risk management program and other administrative services.

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverage, modified for each member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the member's deductible.

**PAXTON TOWNSHIP  
ROSS COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

**Risk Pool Membership (Continued)**

The Plan uses conventional insurance coverage and reinsures these coverage 100%, rather than using a risk pool of member funds to pay individual and collective losses. Therefore, the individual members are only responsible for their self-retention (deductible) amounts which vary from member to member.

**8. SUBSEQUENT EVENTS**

The current Paxton Township Emergency Squads will be incorporated into the joint ambulance district.



**Auditor of State  
Betty Montgomery**

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

Paxton Township  
Ross County  
258 State Route 50  
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited the accompanying financial statements of Paxton Township, Ross County, Ohio, (the Township) as of and for the years ended December 31, 2002, and December 31, 2001, and have issued our report thereon dated April 22, 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*. However, we noted an immaterial instance of noncompliance that we have reported to management of the Township in a separate letter dated April 22, 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Paxton Township  
Ross County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the audit committee, 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

April 22, 2003



**Auditor of State  
Betty Montgomery**

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**PAXTON TOWNSHIP**

**ROSS 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 24, 2003**