



PAXTON TOWNSHIP, ROSS COUNTY

Regular Audit

**For the Years Ended
December 31, 2006 and 2005**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS





Mary Taylor, CPA
Auditor of State

Board of Trustees
Paxton Township
5837 Jester Hill Road
P.O. Box 283
Bainbridge, Ohio 45612

We have reviewed the *Independent Auditor's Report* of Paxton Township, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2005 through December 31, 2006. 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.

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. Paxton Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 8, 2007

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Independent Auditor's Report

Board of Trustees
Paxton Township, Ross County
258 US Route 50
Bainbridge, OH 45612

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Paxton Township (the Township), Ross County as of and for the years ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. 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 of America. 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 2, the accompanying financial statements and notes follow the cash basis of accounting. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2006 and 2005, and the respective changes in financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, and Ambulance and EMS Billing Funds for the years then ended in conformity with the cash basis of accounting presented in Note 2.

As described in Note 3, during the years ended December 31, 2006 and 2005, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Also as described in Note 3, during the years ended December 31, 2006 and 2005, the Township implemented GASB Statement Nos. 37, 38 and 40.

Board of Trustees
Paxton Township, Ross County
Independent Auditor's Report

In accordance with *Government Auditing Standards*, we have also issued a report dated June 15, 2007 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. While we do 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 when considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information the Governmental Accounting Standards Board requires. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 15, 2007

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

This discussion and analysis of the Paxton Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

The Management's Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statements No. 34 "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments" issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Highlights

Key highlights for 2006 and 2005 are as follows:

Net assets of governmental activities decreased \$36,772 or 26.46 percent in 2006. Net assets of governmental activities decreased \$48,488 or 25.86 percent in 2005.

The Township's general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 24.84 and 13.66 percent of the total cash received in 2006 for governmental activities during the year. Property tax receipts for 2006 changed very little compared to 2005 as development within the Township has slowed. Property taxes and grants and entitlements not restricted to specific programs represent respectively 23.59 and 12.09 percent of the total cash received in 2005 for governmental activities during the year.

Using the Basic Financial Statements

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of the cash basis of accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township consists of one type of activity:

Governmental Activities - All of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Government's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose. The funds of the Township consist of one category: governmental.

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Governmental Funds - All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gasoline Tax, Road and Bridge, and Ambulance and EMS Billing Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash & Cash Equivalents	\$102,206	\$138,978
Total Assets	\$102,206	\$138,978
Net Assets		
<i>Restricted for:</i>		
Permanent Fund:		
Expendable	2,050	1,938
Nonexpendable	3,000	3,000
Other Purposes	82,915	129,682
Unrestricted	14,241	4,358
Total Net Assets	\$102,206	\$138,978

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

As mentioned previously, net assets of governmental activities decreased \$36,772 or 26.46 percent during 2006. Net assets of governmental activities decreased \$48,888 or 25.86 during 2005.

Table 2 reflects the changes in net assets in 2006 and 2005.

(Table 2)
Changes in Net Assets

	<u>Governmental Activities</u>	
	<u>2006</u>	<u>2005</u>
<u>Receipts</u>		
<i>Program Receipts:</i>		
Charges for Services and Sales	\$73,771	\$93,045
Operating Grants and Contributions	112,715	96,864
Total Program Receipts	<u>186,486</u>	<u>189,909</u>
<i>General Receipts:</i>		
Property Taxes	76,487	75,623
Grants and Entitlements Not Restricted	42,074	41,364
Earnings on Investments	2,362	1,693
Miscellaneous	495	11,990
Total General Receipts	<u>121,418</u>	<u>130,670</u>
Total Receipts	<u>307,904</u>	<u>320,579</u>
<u>Disbursements:</u>		
General Government	151,824	186,153
Public Safety	34,858	44,282
Public Works	103,427	86,128
Health	29,380	18,457
Other	0	2,042
Capital Outlay	1,208	8,026
Principal Retirement	18,851	18,849
Interest and Fiscal Charges	5,128	5,130
Total Disbursements	<u>344,676</u>	<u>369,067</u>
Increase (Decrease) in Net Assets	(36,772)	(48,488)
Net Assets at January 1	<u>138,978</u>	<u>187,466</u>
Net Assets at December 31	<u>\$102,206</u>	<u>\$138,978</u>

Program receipts represent 60.57 percent of total receipts during 2006 and 59.24 percent of total receipts during 2005. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, cents per gallon, and gas tax money.

General receipts represent 39.43 percent in 2006 and 40.76 percent in 2005 of the Township's total receipts, and of this amount, 24.48 percent in 2006 and 23.59 percent in 2005 are property taxes. State and federal grants and entitlements make up 13.66 percent in 2006 and 12.90 percent in 2005 of the Township's total receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, Fiscal Officer, and other general activities, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Public safety are costs associated with fire protection and emergency services. Public works are costs associated with maintaining Township roads.

Governmental Activities

If you look at the statement of activities you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are General Government, which account for \$151,824 or 44.05 percent in 2006 and \$186,153 or 50.44 percent in 2005 of all governmental disbursements, respectively. Public Works also represents a significant cost, about 30.01 percent in 2006 and 23.34 percent in 2005. The next two columns of the statement entitled program receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost during 2006 and 2005 is presented in Table 3.

(Table 3)

	Governmental Activities			
	Total Cost Of Services	Net Cost Of Services	Total Cost Of Services	Net Cost of Services
	2006	2006	2005	2005
General Government	\$151,824	\$87,966	\$186,153	\$102,186
Public Safety	34,858	32,738	44,282	42,242
Public Works	103,427	(4,307)	86,128	(5,348)
Health	29,380	16,606	18,457	6,031
Other	0	0	2,042	2,042
Capital Outlay	1,208	1,208	8,026	8,026
Principal Retirement	18,851	18,851	18,849	18,849
Interest and Fiscal Charges	5,128	5,128	5,130	5,130
Total Expenses	\$344,676	\$158,190	\$369,067	\$179,158

The dependence upon property tax receipts is apparent as 45.90 percent in 2006 and 48.54 percent in 2005 of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$307,904 in 2006 and \$320,579 in 2005 and disbursements of \$344,676 in 2006 and \$369,067 in 2005. The greatest change for 2006 and 2005 within governmental funds occurred within the Road and Bridge Fund and Ambulance and EMS Billing Fund respectively. The fund balance of the Road and Bridge Fund decreased \$25,010 as the result of increased disbursements for 2006. The fund balance of the Ambulance and EMS Billing Fund decreased \$19,897 as the result of decreased receipts for 2005.

PAXTON TOWNSHIP, ROSS COUNTY
Management's Discussion and Analysis
For the Years Ended December 31, 2006 and 2005
Unaudited

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts increased \$3,518 from the original budgeted receipts.

During 2005, the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts decreased \$10,248 from the original budgeted receipts due to decline in the Intergovernmental receipts. The difference between final budgeted receipts and actual receipts was \$239 or 0.3 percent.

During 2006, General Fund final disbursements were budgeted at \$74,515 while actual disbursements were \$74,515. Final budgeted disbursements decreased \$320 from the original budgeted disbursements.

During 2005, General Fund final disbursements were budgeted at \$88,926 while actual disbursements were \$88,826. Final budgeted disbursements decreased \$13,024 from the original budgeted disbursements.

Debt Administration

For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. As indicated in the preceding financial information, the Township relies heavily on local taxes and intergovernmental receipts to operate at the current level of services.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Vicky Mettler, Fiscal Officer, Paxton Township, Ross County, 258 U.S. Route 50, Bainbridge, Ohio 45612.

PAXTON TOWNSHIP, ROSS COUNTY

Statement of Net Assets

December 31, 2006

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$102,206</u>
<i>Total Assets</i>	<u>102,206</u>
<u>Net Assets:</u>	
Restricted for:	
Permanent Fund:	
Expandable	2,050
Nonexpendable	3,000
Other Purposes	82,915
Unrestricted	<u>14,241</u>
<i>Total Net Assets</i>	<u><u>\$102,206</u></u>

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
Statement of Activities
For the Fiscal Year Ended December 31, 2006

				Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Program Receipts Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
General Government	\$151,824	\$62,231	\$1,627	(\$87,966)
Public Safety	34,858	0	2,120	(32,738)
Public Works	103,427	0	107,734	4,307
Health	29,380	11,540	1,234	(16,606)
Capital Outlay	1,208	0	0	(1,208)
<i>Debt Service:</i>				
Principal Retirement	18,851	0	0	(18,851)
Interest and Fiscal Charges	5,128	0	0	(5,128)
<i>Total Governmental Activities</i>	\$344,676	\$73,771	\$112,715	(158,190)
<u>General Receipts:</u>				
Property Taxes				76,487
Grants and Entitlements not Restricted to Specific Programs				42,074
Earnings on Investments				2,362
Miscellaneous				495
<i>Total General Receipts</i>				121,418
Change in Net Assets				(36,772)
<i>Net Assets at Beginning of Year</i>				138,978
<i>Net Assets at End of Year</i>				\$102,206

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY

Balance Sheet

Governmental Funds

December 31, 2006

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$14,241	\$50,728	\$6,905
<i>Total Assets</i>	<u>\$14,241</u>	<u>\$50,728</u>	<u>\$6,905</u>
<u>Fund Balances:</u>			
<i>Unreserved</i>			
General Fund	\$14,241	\$0	\$0
Special Revenue Funds	0	50,728	6,905
Permanent Fund	0	0	0
<i>Total Fund Balances</i>	<u>\$14,241</u>	<u>\$50,728</u>	<u>\$6,905</u>

See accompanying notes to the basic financial statements.

Ambulance and EMS Billing	Other Governmental Funds	Total Governmental Funds
\$353	\$29,979	\$102,206
\$353	\$29,979	\$102,206
\$0	\$0	\$14,241
353	24,929	82,915
0	5,050	5,050
\$353	\$29,979	\$102,206

PAXTON TOWNSHIP, ROSS COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2006

	General	Gasoline Tax	Road and Bridge
<u>Receipts:</u>			
Property Taxes	\$25,721	\$0	\$10,090
Charges for Services	5,700	0	0
Licenses, Permits and Fees	0	0	0
Intergovernmental	42,074	90,204	9,163
Earnings on Investments	408	1,676	0
Miscellaneous	495	0	0
<i>Total Receipts</i>	<u>74,398</u>	<u>91,880</u>	<u>19,253</u>
<u>Disbursements:</u>			
<i>Current:</i>			
General Government	74,415	7,690	294
Public Safety	0	0	0
Public Works	100	52,618	38,969
Health	0	0	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	5,196	5,000
Interest and Fiscal Charges	0	3,774	0
<i>Total Disbursements</i>	<u>74,515</u>	<u>69,278</u>	<u>44,263</u>
<i>Net Change in Fund Balances</i>	(117)	22,602	(25,010)
<i>Fund Balances at Beginning of Year</i>	<u>4,358</u>	<u>33,126</u>	<u>36,915</u>
<i>Fund Balances at End of Year</i>	<u>\$4,241</u>	<u>\$55,728</u>	<u>\$11,905</u>

See accompanying notes to the basic financial statements.

Ambulance and EMS Billing	Other Governmental Funds	Total Governmental Funds
\$0	\$40,676	\$76,487
56,531	4,995	67,226
0	6,545	6,545
0	13,348	154,789
0	278	2,362
0	0	495
<u>56,531</u>	<u>65,842</u>	<u>307,904</u>
68,741	684	151,824
0	34,858	34,858
0	11,740	103,427
0	29,380	29,380
0	1,208	1,208
0	8,655	18,851
0	1,354	5,128
<u>68,741</u>	<u>87,879</u>	<u>344,676</u>
(12,210)	(22,037)	(36,772)
<u>12,563</u>	<u>52,016</u>	<u>138,978</u>
<u>\$353</u>	<u>\$29,979</u>	<u>\$102,206</u>

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$23,600	\$25,721	\$25,721	\$0
Intergovernmental	41,530	42,074	42,074	0
Earnings on Investments	300	408	408	0
Charges for Services	5,000	5,700	5,700	0
Miscellaneous	450	495	495	0
<i>Total Receipts</i>	70,880	74,398	74,398	0
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	74,835	74,415	74,415	0
Public Works	0	100	100	0
<i>Total Disbursements</i>	74,835	74,515	74,515	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(3,955)	(117)	(117)	0
<i>Fund Balance at Beginning of Year</i>	4,358	4,358	4,358	0
<i>Fund Balance at End of Year</i>	\$403	\$4,241	\$4,241	\$0

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Gasoline Tax Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$58,279	\$90,204	\$90,204	\$0
Earnings on Investments	950	1,676	1,676	0
<i>Total Receipts</i>	59,229	91,880	91,880	0
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	10,000	7,690	7,690	0
Public Works	52,695	57,814	57,814	0
Interest and Fiscal Charges	3,805	3,774	3,774	0
<i>Total Disbursements</i>	66,500	69,278	69,278	0
<i>Excess of Receipts Over Disbursements</i>	(7,271)	22,602	22,602	0
<u>Other Financing (Uses):</u>				
Transfers Out	(5,000)	(5,000)	0	5,000
<i>Total Other Financing (Uses)</i>	(5,000)	(5,000)	0	5,000
<i>Excess of Revenues Over (Under) Disbursements and Other Financing Uses</i>	(12,271)	17,602	22,602	5,000
<i>Fund Balance at Beginning of Year</i>	33,126	33,126	33,126	0
<i>Fund Balance at End of Year</i>	\$20,855	\$50,728	\$55,728	\$5,000

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Road and Bridge Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$9,800	\$10,090	\$10,090	\$0
Intergovernmental	7,420	9,163	9,163	0
<i>Total Receipts</i>	17,220	19,253	19,253	0
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	400	294	294	0
Public Works	47,500	43,969	43,969	0
<i>Total Disbursements</i>	47,900	44,263	44,263	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(30,680)	(25,010)	(25,010)	0
<u>Other Financing (Uses):</u>				
Transfers Out	(5,000)	(5,000)	0	5,000
<i>Total Other Financing (Uses)</i>	(5,000)	(5,000)	0	5,000
<i>Excess of Receipts and Over (Under) Disbursements and Other Financing Uses</i>	(35,680)	(30,010)	(25,010)	5,000
<i>Fund Balance at Beginning of Year</i>	36,915	36,915	36,915	0
<i>Fund Balance at End of Year</i>	\$1,235	\$6,905	\$11,905	\$5,000

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts , Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Ambulance and EMS Billing Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Charges for Services	26,522	56,531	56,531	0
<i>Total Receipts</i>	26,522	56,531	56,531	0
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	38,000	68,741	68,741	0
<i>Total Disbursements</i>	38,000	68,741	68,741	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(11,478)	(12,210)	(12,210)	0
<i>Fund Balance at Beginning of Year</i>	12,563	12,563	12,563	0
<i>Fund Balance at End of Year</i>	\$1,085	\$353	\$353	\$0

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY

Statement of Net Assets

December 31, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$138,978</u>
<i>Total Assets</i>	<u>138,978</u>
<u>Net Assets:</u>	
Restricted for:	
Permanent Fund:	
Expendable	1,938
Nonexpendable	3,000
Other Purposes	129,682
Unrestricted	<u>4,358</u>
<i>Total Net Assets</i>	<u><u>\$138,978</u></u>

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
Statement of Activities
For the Fiscal Year Ended December 31, 2005

			Program Receipts	Net (Disbursements) Receipts and Changes in Net Assets
Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
<u>Governmental Activities:</u>				
General Government	\$186,153	\$82,295	\$1,672	(\$102,186)
Public Safety	44,282	0	2,040	(42,242)
Public Works	86,128	0	91,476	5,348
Health	18,457	10,750	1,676	(6,031)
Other	2,042	0	0	(2,042)
Capital Outlay	8,026	0	0	(8,026)
<i>Debt Service:</i>				
Principal Retirement	18,849	0	0	(18,849)
Interest and Fiscal Charges	5,130	0	0	(5,130)
<i>Total Governmental Activities</i>	\$369,067	\$93,045	\$96,864	(179,158)
 <u>General Receipts:</u>				
Property Taxes				75,623
Grants and Entitlements not Restricted to Specific Programs				41,364
Earnings on Investments				1,693
Miscellaneous				11,990
<i>Total General Receipts</i>				130,670
Change in Net Assets				(48,488)
<i>Net Assets at Beginning of Year (See Note 3)</i>				187,466
<i>Net Assets at End of Year</i>				\$138,978

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY

Balance Sheet

Governmental Funds

December 31, 2005

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>
<u>Assets:</u>			
Equity in Pooled Cash and Cash Equivalents	\$4,358	\$33,126	\$36,915
<i>Total Assets</i>	<u>\$4,358</u>	<u>\$33,126</u>	<u>\$36,915</u>
<u>Fund Balances:</u>			
<i>Unreserved</i>			
General Fund	4,358	0	0
Special Revenue Funds	0	33,126	36,915
Permanent Fund	0	0	0
<i>Total Fund Balances</i>	<u>\$4,358</u>	<u>\$33,126</u>	<u>\$36,915</u>

See accompanying notes to the basic financial statements.

Ambulance and EMS Billing	Other Governmental Funds	Total Governmental Funds
\$12,563	\$52,016	\$138,978
\$12,563	\$52,016	\$138,978
0	0	4,358
12,563	47,078	129,682
0	4,938	4,938
\$12,563	\$52,016	\$138,978

PAXTON TOWNSHIP, ROSS COUNTY
Statement of Receipts, Disbursements and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Gasoline Tax	Road and Bridge
<u>Receipts:</u>			
Property Taxes	\$25,465	\$0	\$9,842
Charges for Services	5,000	0	0
Licenses, Permits and Fees	0	0	0
Intergovernmental	41,364	74,146	9,184
Earnings on Investments	388	927	0
Miscellaneous	1,629	0	10,146
<i>Total Receipts</i>	<u>73,846</u>	<u>75,073</u>	<u>29,172</u>
<u>Disbursements:</u>			
<i>Current:</i>			
General Government	85,925	9,466	219
Public Safety	2,456	0	0
Public Works	445	53,502	23,127
Health	0	0	0
Other	0	0	0
Capital Outlay	0	0	0
<i>Debt Service:</i>			
Principal Retirement	0	10,424	0
Interest and Fiscal Charges	0	3,546	0
<i>Total Disbursements</i>	<u>88,826</u>	<u>76,938</u>	<u>23,346</u>
<i>Net Change in Fund Balances</i>	(14,980)	(1,865)	5,826
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>19,338</u>	<u>34,991</u>	<u>31,089</u>
<i>Fund Balances at End of Year</i>	<u><u>\$4,358</u></u>	<u><u>\$33,126</u></u>	<u><u>\$36,915</u></u>

See accompanying notes to the basic financial statements.

Ambulance and EMS Billing	Other Governmental Funds	Total Governmental Funds
\$0	\$40,316	\$75,623
77,295	4,000	86,295
0	6,750	6,750
0	13,534	138,228
0	378	1,693
0	215	11,990
<u>77,295</u>	<u>65,193</u>	<u>320,579</u>
89,896	647	186,153
5,254	36,572	44,282
0	9,054	86,128
0	18,457	18,457
2,042	0	2,042
0	8,026	8,026
0	8,425	18,849
0	1,584	5,130
<u>97,192</u>	<u>82,765</u>	<u>369,067</u>
(19,897)	(17,572)	(48,488)
<u>32,460</u>	<u>69,588</u>	<u>187,466</u>
<u><u>\$12,563</u></u>	<u><u>\$52,016</u></u>	<u><u>\$138,978</u></u>

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$25,000	\$25,000	\$25,465	\$465
Licenses, Permits and Fees	100	0	0	0
Intergovernmental	53,599	43,451	41,364	(2,087)
Earnings on Investments	777	777	388	(389)
Charges for Services	3,000	3,000	5,000	2,000
Miscellaneous	1,379	1,379	1,629	250
<i>Total Receipts</i>	83,855	73,607	73,846	239
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	99,950	86,025	85,925	(\$100)
Public Safety	1,000	2,456	2,456	0
Public Works	1,000	445	445	0
<i>Total Disbursements</i>	101,950	88,926	88,826	(100)
<i>Excess of Receipts Over (Under) Disbursements</i>	(18,095)	(15,319)	(14,980)	339
<i>Fund Balance at Beginning of Year</i>	19,338	19,338	19,338	0
<i>Fund Balance at End of Year</i>	\$1,243	\$4,019	\$4,358	\$339

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Gasoline Tax Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$56,904	\$73,390	\$74,146	\$756
Earnings on Investments	600	600	927	327
<i>Total Receipts</i>	57,504	73,990	75,073	1,083
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	10,000	9,466	9,466	0
Public Works	78,000	67,472	67,472	0
<i>Total Disbursements</i>	88,000	76,938	76,938	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(30,496)	(2,948)	(1,865)	1,083
<i>Fund Balance at Beginning of Year</i>	34,991	34,991	34,991	0
<i>Fund Balance at End of Year</i>	\$4,495	\$32,043	\$33,126	\$1,083

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Road and Bridge Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property Taxes	\$9,200	\$9,842	\$9,842	\$0
Intergovernmental	1,221	9,184	9,184	7,962
Miscellaneous	5,818	10,146	10,146	0
<i>Total Receipts</i>	16,239	29,172	29,172	7,962
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	0	4,219	219	4,000
Public Works	43,550	31,127	23,127	8,000
<i>Total Disbursements</i>	43,550	35,346	23,346	12,000
<i>Excess of Receipts Over (Under) Disbursements</i>	(27,311)	(6,174)	5,826	24,932
<i>Fund Balance at Beginning of Year</i>	31,089	31,089	31,089	0
<i>Fund Balance at End of Year</i>	\$3,778	\$24,915	\$36,915	\$24,932

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
*Statement of Receipts , Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Ambulance and EMS Billing Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Charges for Services	\$25,750	\$73,852	\$77,295	\$3,443
<i>Total Receipts</i>	25,750	73,852	77,295	3,443
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	54,000	89,896	89,896	0
Public Safety	3,500	5,254	5,254	0
Other	0	2,042	2,042	0
<i>Total Disbursements</i>	57,500	97,192	97,192	0
<i>Excess of Receipts Over (Under) Disbursements</i>	(31,750)	(23,340)	(19,897)	3,443
<i>Fund Balance at Beginning of Year</i>	32,460	32,460	32,460	0
<i>Fund Balance at End of Year</i>	\$710	\$9,120	\$12,563	\$3,443

See accompanying notes to the basic financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 1 – Reporting Entity

The Paxton Township, Ross County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, maintenance of cemeteries and fire and emergency service protection.

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguished between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. The Township has no business-type activities.

The statement of net assets presents the cash and investment balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function activity is self-financing on a cash basis or draws from the Township's general receipts.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies – (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into one category: governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources.

The following is the Township's major governmental funds:

General Fund – This fund is used to account for all financial resources, except those required to be accounted for in another fund.

Gasoline Tax Fund – This fund is comprised of taxes on the sale of gasoline which is distributed to the Township based upon road mileage determined by the state, and used for the repair and maintenance of Township roads.

Road and Bridge Fund – This fund is comprised of property taxes designated for the repair and maintenance of Township roads and bridges.

Ambulance and EMS Billing Fund – This fund receives money from the charges for ambulance and EMS services.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies – (Continued)

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, function, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006 and 2005, the Township had no investments.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$408 which includes \$229 assigned from other Township funds. The interest receipts credited to the General Fund during 2005 was \$388 which includes \$267 assigned from other Township funds.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 2 – Summary of Significant Accounting Policies – (Continued)

G. Capital Assets

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

H. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

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

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postemployment health care benefits.

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for state grants reported in special revenue funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 3 – Prior Period Adjustments and Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor’s Office. This year the Township has implemented the cash basis of accounting described in Note 2. For 2005, the Township has implemented GASB Statement No. 34, “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,” GASB Statement No. 37, “Basic Financial Statements for State and Local Governments: Omnibus,” GASB Statement No. 38, “Certain Financial Statement Note Disclosures,” GASB Statement No. 40, “Deposit and Investment Risk Disclosures.” The implementation of GASB Statement No. 40 had some effect on the disclosure requirements, however, there was no effect on the prior period fund balances of the Township. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

2005 Prior Period Adjustment

In January 2005, the Township did not record the balance of a secondary checking account used to record receipts for EMS billings. This resulted in a restatement of the prior period cash balance.

	Governmental Activities	Fire and EMS
Net Assets at December 31, 2004	\$186,850	\$31,844
Understatement of Cash and Cash Equivalents	616	616
Adjusted Net Assets at December 31, 2004	\$187,466	\$32,460

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Ambulance and EMS Billing Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis for the years ended December 31, 2006 and 2005.

Note 5 – Deposits and Investments

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments – (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 5 – Deposits and Investments – (Continued)

At December 31, 2006, the carrying amount of all Township deposits was \$101,887. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of December 31, 2006, \$2,610 of the Township’s bank balance of \$102,610 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$2,610 exposed to custodial risk was collateralized with securities held by the Township or its agency in the Township’s name.

At December 31, 2005, the carrying amount of all Township deposits was \$132,280. Based on the criteria described in GASB Statement No. 40, “Deposit and Investment Risk Disclosures”, as of December 31, 2005, \$41,089 of the Township’s bank balance of \$141,089 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$41,089 exposed to custodial risk was collateralized with securities held by the Township or its agency in the Township’s name.

Custodial Credit Risk: The Township has no formal investment policy, but requires that deposits follow the Ohio Revised Code.

Investments

As of December 31, 2006 and 2005, the Township had no investments.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 6 – Property Taxes – (Continued)

The full tax rate for all Township operations for the years ended December 31, 2006 and 2005, was \$7.5 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

	2006	2005
Real Property		
Residential	\$4,350,120	\$4,315,240
Agricultural	11,511,010	11,387,500
Commercial/Industrial/Mineral	1,806,060	1,787,930
Tangible Personal Property	1,119,740	1,056,690
Public Utility	1,118,600	1,135,500
Total Assessed Value	\$19,905,530	\$19,682,860

Note 7 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006 and 2005, the Township contracted with several companies for various types of insurance coverage as follows:

		Amount of Coverage	
Company	Type of Coverage	2006	2005
Ohio Government Risk Management Plan	General Liability	2,000,000	2,000,000
	Wrongful Acts	2,000,000	2,000,000
	Vehicle	2,000,000	2,000,000

Note 8 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 8 – Defined Benefit Pension Plan – (Continued)

Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2006 was 9.8 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 13.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 13.55 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$8,753, \$10,099, and 5,679 respectively. The full amount has been contributed for 2006, 2005 and 2004. Contributions to the member-directed plan for 2006 were \$13,035 and for 2005 were \$14,329.

Note 9 - Postemployment Benefits

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.0 percent annually for the next nine years and 4.0 percent annually after nine years.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 9 - Postemployment Benefits – (Continued)

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

At December 31, 2006, the number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund post employment benefits were \$4,282. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Note 10 – Debt (Capital Leases)

The Township has entered into agreements to lease Vehicles. Such agreements are, in substance, lease purchases. Capital lease payments are reflected as debt service in the financial statements. Lease amounts outstanding at December 31, 2006 were as follows:

Description of Issue	Interest Rate	Principal Balance 12-31-05	Issued in 2006	Retired in 2006	Principal Balance 12-31-06	Interest Paid in 2006
Ambulance	4.40%	\$27,096	\$0	\$8,655	\$18,441	\$1,354
Dump Truck	5.00%	69,779	0	10,196	59,583	3,774
		<u>\$96,875</u>	<u>\$0</u>	<u>\$18,851</u>	<u>\$78,024</u>	<u>\$5,128</u>

Lease amounts outstanding at December 31, 2005 were as follows:

Description of Issue	Interest Rate	Principal Balance 12-31-04	Issued in 2005	Retired In 2005	Principal Balance 12-31-05	Interest Paid in 2005
Ambulance	4.40%	\$35,521	\$0	\$8,425	\$27,096	\$1,584
Dump Truck	5.00%	80,000	0	10,424	69,779	3,564
		<u>\$115,521</u>	<u>\$0</u>	<u>\$18,849</u>	<u>\$96,875</u>	<u>\$5,130</u>

On March 15, 2004 the Township entered into a lease/purchase agreement with Republic First National Corporation for an Ambulance. Per the term of the lease, ownership of the Ambulance will be transferred to the Township after 5 years. The 5 year term is broken into 5 annual renewals of payments in installments of \$10,009, including interest. The Township prepaid the January 1, 2005 payment in December of 2004. There are 4 remaining payment to be made on this lease. The Lease is collateralized by the Vehicle. The Township also has an early purchase option to purchase the Ambulance at the end of any annual lease term.

PAXTON TOWNSHIP, ROSS COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2006 and 2005

Note 10 – Debt (Capital Leases) – (Continued)

On August 1, 2004, the Township entered into a lease/purchase agreement with Republic First National Corporation for a Dump Truck. Per the term of the lease, ownership of the Dump Truck will be transferred to the Township after 7 years for the purchase price of \$1. The 7 year term is broken into annual renewals of payments in installments of \$13,970, including interest. The Lease is collateralized by the Dump Truck. The Township also has an early purchase option to purchase the Dump Truck at the end of any annual lease term.

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

<u>Year Ending December 31:</u>	<u>2004 Ambulance</u>	<u>2004 Dump Truck</u>
2007	\$10,009	\$13,970
2008	10,009	13,970
2009	0	13,970
2010	0	13,970
2011	0	13,970
Total	<u>\$20,018</u>	<u>\$69,850</u>

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Required by
Government Auditing Standards**

Board of Trustees
Paxton Township, Ross County
5837 Jester Hill Road
P.O. Box 283
Bainbridge, OH 45612

We have audited the accompanying financial statements of Paxton Township, Ross County, Ohio (Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated June 15, 2007, which we noted the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*; and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. As discussed in Note 2, the Township followed the cash basis of accounting, which is a comprehensive basis other 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 *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control 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 audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

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 internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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 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 one instance of noncompliance or other matters, shown as finding number 2006-01 in the following schedule of findings, that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the Township's management in a separate letter dated June 15, 2007.

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

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.

June 15, 2007

PAXTON TOWNSHIP
Schedule of Findings
For the Year Ended December 31, 2006 and 2005

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

Finding Number 2006-01

Ohio Revised Code Section 5705.14 allows the Board of Trustees to transfer moneys from funds other than the General Fund with approval of the Tax Commissioner and the Court of Common Pleas unless they are excepted by Ohio Revised Code 5705.15 and 5705.16. These Sections prohibit the transfer from any fund whose proceeds are derived from any excise tax levied by law for a specified purpose. Transfers from the Gasoline Tax Fund and the Road and Bridge Fund are prohibited under Ohio Revised Code 5705.15 and 5705.16.

The Township transferred monies from the Gasoline Tax Fund and Road and Bridge Fund to the General Fund, proceeds of these funds are derived from an excise tax levied by law for a specific purpose. These transfers are a violation of the Ohio Revised Code. We verified that the Township has corrected the cash balances in these funds in their UAN system, by transferring the amounts from the General Fund back to the original funds.

Officials' Response

The Township misunderstood the concept of transfers, since it was the first time the Township needed to transfer monies into the General Fund. In the future the Township will treat the need of revenue by advances. The Township has transferred the monies in question back to the original funds from the General Fund.



Mary Taylor, CPA
Auditor of State

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
AUGUST 21, 2007**