



Dave Yost • Auditor of State

**PAXTON TOWNSHIP
ROSS COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2016	5
Notes to the Financial Statements – December 31, 2016	7
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2015	13
Notes to the Financial Statements – December 31, 2015	15
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	23
Schedule of Findings	25
Prepared by Management:	
Schedule of Prior Audit Findings.....	31

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Paxton Township
Ross County
P.O. Box 217
Bainbridge, Ohio 45612

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of the Paxton Township, Ross County, Ohio (the Township) as of and for the years ended December 31, 2016 and 2015.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2016 and 2015, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Paxton Township, Ross County as of December 31, 2016 and 2015, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the Township had negative cash balances in the General Fund at December 31, 2016 and 2015 which resulted from audit adjustments posted to the financial statements. Note 9 describes Management's plan regarding this matter. This matter does not affect our opinion on these financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is fluid and cursive, with the first name "Dave" and the last name "Yost" clearly legible.

Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2018

This page intentionally left blank.

PAXTON TOWNSHIP
ROSS COUNTY
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$32,252	\$102,624	\$18,634			\$153,510
Charges for Services		102,884				102,884
Licenses, Permits and Fees		14,245				14,245
Intergovernmental	30,551	117,757				148,308
Earnings on Investments	27	9				36
Miscellaneous	1,961	29,387				31,348
<i>Total Cash Receipts</i>	<u>64,791</u>	<u>366,906</u>	<u>18,634</u>	<u>0</u>	<u>0</u>	<u>450,331</u>
Cash Disbursements						
Current:						
General Government	78,614	140,837				219,451
Public Safety	3,680	35,116				38,796
Public Works		82,534				82,534
Health		25,997				25,997
Other	750					750
Capital Outlay		6,845				6,845
Debt Service:						
Principal Retirement		5,000	14,831			19,831
Interest and Fiscal Charges			3,803			3,803
<i>Total Cash Disbursements</i>	<u>83,044</u>	<u>296,329</u>	<u>18,634</u>	<u>0</u>	<u>0</u>	<u>398,007</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(18,253)</u>	<u>70,577</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>52,324</u>
<i>Net Change in Fund Cash Balances</i>	(18,253)	70,577	0	0	0	52,324
<i>Fund Cash Balances, January 1</i>	<u>(27,260)</u>	<u>159,120</u>	<u>9,317</u>	<u>753</u>	<u>54</u>	<u>141,984</u>
Fund Cash Balances, December 31						
Restricted		229,697	9,317	753	54	239,821
Unassigned (Deficit)	<u>(45,513)</u>					<u>(45,513)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$45,513)</u></u>	<u><u>\$229,697</u></u>	<u><u>\$9,317</u></u>	<u><u>\$753</u></u>	<u><u>\$54</u></u>	<u><u>\$194,308</u></u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Paxton Township, Ross County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and emergency medical services. The Township contracts with the Village of Bainbridge to provide fire services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a risk-sharing pool available to Ohio Townships. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund - The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Ambulance and Emergency Medical Services Fund - The Ambulance and Emergency Medical Services fund receives and accounts for charges for service revenue collected for providing ambulance and emergency medical services.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Squad Debt Service - The squad debt service fund accounts for and reports resources restricted for the retirement of debt issued to finance the purchase of a new squad vehicle.

Permanent Funds - These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 3

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

Deposits

The Township's accounting basis includes cash as assets. The Township has no investments.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2016 as follows:

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$82,367	\$64,791	(\$17,576)
Special Revenue	318,971	366,906	47,935
Debt Service	18,634	18,634	0
Total	\$419,972	\$450,331	\$30,359

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$116,833	\$83,044	\$33,789
Special Revenue	422,716	296,329	126,387
Debt Service	18,634	18,634	0
Total	\$558,183	\$398,007	\$160,176

Contrary to Ohio law, at December 31, 2016, the General Fund had a cash deficit balance of \$45,513.

Note 4 – Deposits

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

	2016
Total Demand Deposits	\$194,308

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2016, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2016.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2016.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township's officials and employees belong to the Ohio Public Employees Retirement System

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2016

(OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 8 – Debt

Debt outstanding at December 31, 2016, was as follows:

	Principal	Interest Rate
Republic First National - Squad Contract	84,669	3.252%
Total	\$84,669	

In March of 2015, the Township entered into a contract with Republic First National to finance the purchase of a new squad vehicle. The contract calls for the Township to make 6 annual payments with the first of those payments being made during 2016.

Amortization

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

Year Ending December 31:	Contract
2017	\$18,634
2018	18,634
2019	18,634
2020	18,634
2021	18,634
Total	\$93,170

Note 9 – Deficit Fund Balances

As of December 31, 2016, the Township had a General Fund balance of (\$45,513) in part as a result of audit adjustments posted to the financial statements. Management plans to implement measures to increase the General Fund balance.

PAXTON TOWNSHIP
ROSS COUNTY
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$28,576	\$77,166	\$9,317			\$115,059
Charges for Services		115,279				115,279
Licenses, Permits and Fees		17,070				17,070
Intergovernmental	33,980	134,075				168,055
Earnings on Investments	34					34
Miscellaneous	1,924	12,702				14,626
<i>Total Cash Receipts</i>	<u>64,514</u>	<u>356,292</u>	<u>9,317</u>	<u>0</u>	<u>0</u>	<u>430,123</u>
Cash Disbursements						
Current:						
General Government	75,801	136,370				212,171
Public Safety	8,071	49,296				57,367
Public Works		115,802				115,802
Health		33,944				33,944
Capital Outlay		129,639				129,639
Debt Service:						
Principal Retirement		5,000				5,000
<i>Total Cash Disbursements</i>	<u>83,872</u>	<u>470,051</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>553,923</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(19,358)</u>	<u>(113,759)</u>	<u>9,317</u>	<u>0</u>	<u>0</u>	<u>(123,800)</u>
Other Financing Receipts (Disbursements)						
Other Debt Proceeds		99,500				99,500
<i>Total Other Financing Receipts (Disbursements)</i>		<u>99,500</u>				<u>99,500</u>
<i>Net Change in Fund Cash Balances</i>	(19,358)	(14,259)	9,317	0	0	(24,300)
<i>Fund Cash Balances, January 1</i>	<u>(7,902)</u>	<u>173,379</u>	<u>0</u>	<u>753</u>	<u>54</u>	<u>166,284</u>
Fund Cash Balances, December 31						
Restricted		159,120	9,317	753	54	169,244
Unassigned (Deficit)	<u>(27,260)</u>					<u>(27,260)</u>
<i>Fund Cash Balances, December 31</i>	<u>(\$27,260)</u>	<u>\$159,120</u>	<u>\$9,317</u>	<u>\$753</u>	<u>\$54</u>	<u>\$141,984</u>

See accompanying notes to the basic financial statements

This page intentionally left blank.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the Paxton Township, Ross County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides general government services, road and bridge maintenance, cemetery maintenance, and emergency medical services. The Township contracts with the Village of Bainbridge to provide fire services.

The Township participates in the Ohio Plan Risk Management, Inc. (OPRM), a risk-sharing pool available to Ohio Townships. Note 6 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are organized on a fund type basis.

Fund Accounting

The Township uses funds 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. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund - The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Ambulance and Emergency Medical Services Fund - The Ambulance and Emergency Medical Services fund receives and accounts for charges for service revenue collected for providing ambulance and emergency medical services.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Debt Service Funds - These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. The Township had the following significant Debt Service Fund:

Squad Debt Service - The squad debt service fund accounts for and reports resources restricted for the retirement of debt issued to finance the purchase of a new squad vehicle.

Permanent Funds - These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

Cemetery Endowment Fund - The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery.

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements 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 the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 3.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Deposits

The Township's accounting basis includes cash as assets. The Township has no investments.

Capital Assets

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the year ending 2015 follows:

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$83,314	\$64,514	(\$18,800)
Special Revenue	418,242	455,792	37,550
Debt Service	9,317	9,317	0
Total	\$510,873	\$529,623	\$18,750

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$98,450	\$83,872	\$14,578
Special Revenue	550,923	470,051	80,872
Debt Service	0	0	0
Total	\$649,373	\$553,923	\$95,450

Contrary to Ohio law, at December 31, 2015, the General Fund had a cash deficit balance of \$27,260.

Note 4 – Deposits

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

	2015
Total Demand Deposits	\$141,984

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 5 – Property Taxes

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Note 6 – Risk Management

The Township belongs to the Ohio Plan Risk Management, Inc. (OPRM) - formerly known as the Ohio Government Risk Management Plan, (the "Plan"), a non-assessable, unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to Ohio governments ("Members"). The Plan is legally separate from its member governments.

Pursuant to Section 2744.081 of the Ohio Revised Code, the plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages to its members sold through fourteen appointed independent agents in the State of Ohio.

OPRM coverage programs are developed specific to each member's risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member's exposure to loss. Effective November 1, 2012 (and through October 2014) the plan increased its retention to 50% of the first \$250,000 casualty treaty. Effective November 1, 2014, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 772 and 783 members as of December 31, 2015 and 2014 respectively.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other financial obligation to the Plan, but still need to promptly notify the Plan of any potential claims occurring during their membership period. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31, 2015 and 2014 (the latest information available).

	<u>2015</u>	<u>2014</u>
Assets	\$14,643,667	\$14,830,185
Liabilities	(9,112,030)	(8,942,504)
Members' Equity	<u>\$5,531,637</u>	<u>\$5,887,681</u>

You can read the complete audited financial statements for OPRM at the Plan's website, www.ohioplan.org.

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township’s officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan’s benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 8 – Debt

Debt outstanding at December 31, 2015, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Ross County Commissioners Loan	\$5,000	0%
Republic First National - Squad Contract	99,500	3.252%
Total	<u>\$104,500</u>	

In January 2011, the Township received a \$30,000 loan from the Ross County Commissioners to assist in repairing the Tong Hollow Road after a landslide occurred. The Township has agreed to repay the County with six annual installments of \$5,000. This loan will be fully repaid in 2016.

In March of 2015, the Township entered into a contract with Republic First National to finance the purchase of a new squad vehicle. The contract calls for the Township to make 6 annual payments with the first of those payments being made during 2016.

Amortization

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

Paxton Township
Ross County
Notes to the Financial Statements
For the year ended December 31, 2015

Year Ending December 31:	Ross County Commissioners	
	Loan	Contract
2016	\$5,000	\$18,634
2017	-	18,634
2018	-	18,634
2019	-	18,634
2020-2021	-	37,268
Total	\$5,000	\$111,804

Note 9 – Deficit Fund Balances

As of December 31, 2015, the Township had a General Fund balance of (\$27,260) as a result of audit adjustments posted to the financial statements. Management plans to implement measures to increase the General Fund balance.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Paxton Township
Ross County
P.O. Box 217
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements by fund type of the Paxton Township, Ross County, (the Township) as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated February 13, 2018 wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We also noted the Township had deficit cash balances in the General Fund at December 31, 2016 and December 31, 2015.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2016-001 through 2016-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2016-002 through 2016-005.

Township's Response to Findings

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State

Columbus, Ohio

February 13, 2018

**PAXTON TOWNSHIP
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2016 AND 2015**

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

FINDING NUMBER 2016-001

Material Weakness

Governments are required to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance related legal and contractual requirements and prepare financial statements.

The Township lacked controls to ensure that certain transactions were posted accurately. We identified the following posting errors:

2016					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Taxes	\$4,602	General Fund	Intergovernmental	\$4,602
Road & Bridge (2031)	Taxes	\$2,302	Road & Bridge (2031)	Intergovernmental	\$2,302
Fire Levy (2191)	Taxes	\$1,891	Fire Levy (2191)	Intergovernmental	\$1,891
Fire Levy (2192)	Taxes	\$1,192	Fire Levy (2192)	Intergovernmental	\$1,192
AMB/EMS Levy (2193)	Taxes	\$1,936	AMB/EMS Levy (2193)	Intergovernmental	\$1,936
Cemetery Levy (2194)	Taxes	\$1,455	Cemetery Levy (2194)	Intergovernmental	\$1,455
AMB/EMS (2281)	Taxes	\$4,379	AMB/EMS (2281)	Intergovernmental	\$4,379
The Township recorded Homestead and Rollback as Taxes and should have recorded the revenue as Intergovernmental.					
General Fund	Public Works	\$4,430	General Fund	Public Safety Other	\$3,680 \$750
The Township incorrectly classified various expenditures and donations as Public Works. Expenditures should have been recorded as Public Safety and Other.					

**FINDING NUMBER 2016-001
 (Continued)**

2015					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
Motor Vehicle License Fund (2011)	Not Recorded	\$0	Motor Vehicle License Fund (2011)	Public Works Intergovernmental	\$6,563
Gas Tax Fund (2021)	Not Recorded	\$0	Gas Tax Fund (2021)	Public Works Intergovernmental	\$5,437
Road and Bridge Fund (2031)	Not Recorded	\$0	Road and Bridge Fund (2031)	Public Works Intergovernmental	\$6,750
Township Issue 1 grant was not recorded on the Township accounting system.					
Amb/EMS Levy (2193)	Miscellaneous Revenue	\$49,750	Amb/EMS Levy (2193)	Debt Proceeds	\$49,750
AMB/EMS Fund (2281)	Miscellaneous Revenue	\$49,750	AMB/EMS Fund (2281)	Debt Proceeds	\$49,750
The Township incorrectly recorded proceeds for the purchase of an Ambulance Squad as Miscellaneous Revenue. The revenue should have been recorded as Debt Proceeds.					
General Fund	Taxes	\$4,603	General Fund	Intergovernmental	\$4,603
Road & Bridge (2031)	Taxes	\$2,285	Road & Bridge (2031)	Intergovernmental	\$2,285
Fire Levy (2191)	Taxes	\$1,170	Fire Levy (2191)	Intergovernmental	\$1,170
Fire Levy (2192)	Taxes	\$1,184	Fire Levy (2192)	Intergovernmental	\$1,184
AMB/EMS Levy (2193)	Taxes	\$1,937	AMB/EMS Levy (2193)	Intergovernmental	\$1,937
Cemetery Levy (2194)	Taxes	\$1,456	Cemetery Levy (2194)	Intergovernmental	\$1,456
AMB/EMS (2281)	Taxes	\$4,380	AMB/EMS (2281)	Intergovernmental	\$4,380
The Township recorded Homestead and Rollback as Taxes and should have recorded the revenue as Intergovernmental.					

Failure to accurately post and report receipt and expenditure transactions could result in material errors in the Township's financial statements and reduces the ability of the Board to monitor financial activity and to make sound decisions which affect the overall, available cash position of the Township.

The Township has corrected the financial statements, and accounting records where appropriate, to address these posting errors.

We recommend the Township review the chart of accounts to assure that items are being posted to the proper account codes and funds.

Officials' Response:

The postings have been done this way for quite some time but will be taken care of in a timely manner for correction according to the finding in this audit.

FINDING NUMBER 2016-002

Noncompliance and Material Weakness

Ohio Rev. Code, § 505.84 states a board of township trustees may establish reasonable charges for the use of fire and rescue services, ambulance services, or emergency medical services. The board may establish different charges for township residents and nonresidents, and may, in its discretion, waive all or part of the charge for any resident. The charge for ambulance transportation for nonresidents shall be an amount not less than the authorized Medicare reimbursement rate, except that, if prior to September 9, 1988, the board had different charges for residents and nonresidents and the charge for nonresidents was less than the authorized Medicare reimbursement rate, the board may charge nonresidents less than the authorized Medicare reimbursement rate.

Except as provided in § 505.441 of the Revised Code, charges collected under this section shall be kept in a separate fund designated as "the fire and rescue services, ambulance services, and emergency medical services fund," and shall be appropriated and administered by the board. The fund shall be used for the payment of the costs of the management, maintenance, and operation of fire and rescue services, ambulance services, and emergency medical services in the township. If the fire and rescue services, ambulance services, and emergency medical services are discontinued in the township, any balance remaining in the fund shall be paid into the general fund of the township.

The Township collected fees for EMS services from Perry Township for transport and nontransport services totaling \$18,800 in 2015 and \$14,400 in 2016. The contract between the Townships stated specifically the amount that would be charged for the transport and nontransport services. As such, these revenues should have been placed in the Fire and Rescue, Ambulance and Emergency Medical Services Special Revenue Fund (2281). The Township placed all of these charges for services for 2015 all in the General Fund and \$2,750 for 2016 in the General Fund which caused the original financial statements to have revenues improperly reported.

The Township has corrected the financial statements and accounting records to correct these errors.

We recommend the Fiscal Officer post these revenues into the Fire and Rescue, Ambulance and Emergency Medical Services Special Revenue Fund.

Officials' Response:

The finding is a rebounding effect from the previous audit of moving of funds received from a contract that was initiated and put in the general fund in 1976 and has been there until the last audit. All funds are now being posted to the 2281 EMS fund instead of the 1000 General fund.

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Rev. Code §§ 507.09 and 505.24(D) – require Trustees receiving compensation by annual salary to use certifications if paid from funds other than the General Fund: To be paid on a salary basis in equal monthly installments, the board of trustees must *unanimously* pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund (Ohio Rev. Code § 505.24(D)). If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged.

FINDING NUMBER 2016-003
(Continued)

Fiscal officers compensated from funds other than the general fund must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. They must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the fiscal officer spent during that pay period providing services related to each fund to be charged. If 100% of the compensation of the township fiscal officer is to be paid from the general fund, no certification is required.

Compensation during 2016 for the Township Trustees and the Fiscal Officer was paid from the General Fund and also allocated to other funds. Per the Ohio Revised Code and the Township's policy (established by resolution), the time spent working on matters that are to be paid from funds other than the general fund must be certified.

The Township Trustees completed certifications detailing the percentage of time that was spent providing services related to each fund that should have been charged during 2016, however, the percentages recorded on the payperiod certifications did not match the pay allocations approved in the annual resolution for the Trustees or the funds from which all of the payroll expenditures were made. The Fiscal Officer was paid from funds other than the General Fund without any certification. The following funds were reallocated:

Payroll and Insurance Disbursement Reallocation								
	General	MVL (2011)	Gas Tax (2021)	Cemetery (2041)	Fire Levy (2191)	Ambulance and EMS Levy (2193)	Cemetery Levy (2194)	AMB/ EMS Levy (2281)
2016 Payroll Allocation	\$12,967	\$0	(\$6,565)	(\$1,761)	(\$2,148)	(\$1,547)	(\$946)	\$0
2016 Insurance Allocation	\$13,069	(\$3,044)	(\$9,348)	\$0	(\$677)	\$0	\$0	\$0
2016 Cash-in- Lieu Benefit Payment	\$1,125	\$	(\$500)	(\$575)	\$0	\$0	\$0	(\$50)

**FINDING NUMBER 2016-003
(Continued)**

Lacking proper certification, requires compensation to be paid from the General Fund for the Trustees and the Fiscal Officer. If certifications are completed by the Officials, proper care must be used for assurances that the certified percentages match the payroll expenditures made from funds outside of the general fund. The Township should ensure that payroll and disbursements paid from restricted funds are documented and accurately allocated.

The Township posted audit adjustments to the financial statements and accounting records to accurately reflect Trustees and Fiscal Officer's payroll and disbursements to the proper funds.

Officials' Response:

We did not receive a response from officials to the finding above.

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code, § 5705.10(I) states that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund.

The General Fund balance was (\$45,513) at December 31, 2016 and (\$27,260) at December 31, 2015.

We recommend the Township monitor spending to ensure deficit balances do not occur.

Officials' Response:

The negative balance in the general once again was a rebound of the finding in the previous audit of the 1976 contract.

FINDING NUMBER 2016-005

Noncompliance/Finding for Recovery – Repaid Under Audit

Ohio Rev. Code, § 507.09, provides that in a Township having a budget of more than five hundred thousand dollars but not more than seven hundred fifty thousand dollars, the compensation for 2015 for a Fiscal Officer elected or appointed is to be paid \$14,147 annually, and a Township having a budget of more than five hundred thousand dollars but not more than seven hundred fifty thousand dollars, the compensation for 2016 for a Fiscal Officer elected or appointed after September 29, 2015 is to be paid \$14,854 annually.

The Township Fiscal officer started a new term beginning April 1, 2016. During 2016, the Trustees voted to give a bonus to the Fiscal Officer in the amount of \$300. The bonus for the Fiscal Officer is considered an in-term increase in compensation and therefore would not be allowed under the above code. This resulted in an overpayment for 2016 in the amount of \$300, for the Township Fiscal Officer.

**FINDING NUMBER 2016-005
(Continued)**

Salary allowed for period 01/01/2016 – 03/31/2016 Budget: \$630,786	\$3,536.73
Salary allowed for period 04/01/2016 – 12/31/2016 Budget: \$562,566	\$11,140.47
Total Salary allowed for period 01/01/2016 – 12/31/2016	\$14,677.20
Amount Paid to Fiscal Officer including the \$300 bonus check	\$14,977.20
Overpayment	\$300

In accordance with the foregoing facts, and pursuant to Ohio Rev. Code Section 117.28, a finding for recovery for public money illegally expended is hereby issued against Vicky Mettler, Township Fiscal Officer, in the amount of three hundred dollars, in favor of the General Fund of Paxton Township.

The total finding was paid by Vicky Mettler on December 29, 2017, in the amount of \$300. The receipt was posted to Paxton Township's General Fund in the amount of \$300, per receipt number 252-2017.

Officials' Response:

We did not receive a response from officials to the finding above.

**PAXTON TOWNSHIP
ROSS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016**

Finding Number	Finding Summary	Status	Additional Information
2014-001	Material Weakness – maintenance of accounting records and accuracy of postings to ensure financial statements are complete and accurate.	Not Corrected	Prior audit received into the new year. Implemented changes.
2014-002	Noncompliance and Material Weakness, ORC 505.84, proper posting of EMS fees collected	Not Corrected	Corrected at this time, prior audit received after year had started and implemented changes at that time.
2014-003	Noncompliance, ORC 5705.10(I), proper use of cash from funds for which such fund has been established.	Not Corrected	Implemented changes after audit received and corrected at this time.

This page intentionally left blank.



Dave Yost • 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
MARCH 8, 2018