



OHIO AUDITOR OF STATE
KEITH FABER



**PAXTON TOWNSHIP
ROSS COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Paxton Township
Ross County
5837 Jester Hill Rd.
PO BOX 283
Bainbridge, OH 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, 2018 and 2017.

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, 2018 and 2017, 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, 2018 and 2017, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, 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.



Keith Faber
Auditor of State

Columbus, Ohio

November 7, 2019

**PAXTON TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 59,125	\$ 119,510	\$ -	\$ -	\$ -	\$ 178,635
Intergovernmental	31,683	123,209	-	-	-	154,892
Charges for Services	-	106,834	-	-	-	106,834
Fines, Licenses and Permits-	-	12,367	-	-	-	12,367
Earnings on Investments	60	-	-	-	-	60
Miscellaneous	3,141	16,007	-	-	-	19,148
Total Cash Receipts	94,009	377,927	-	-	-	471,936
Cash Disbursements						
Current:						
General Government	66,449	217,183	-	-	-	283,632
Public Safety	1,860	79,460	-	-	-	81,320
Public Works	-	121,799	-	-	-	121,799
Health	-	30,273	-	-	-	30,273
Capital Outlay	-	79,167	-	-	-	79,167
Debt Service:						
Principal Retirement	-	16,380	-	-	-	16,380
Interest and Fiscal Charges	-	2,254	-	-	-	2,254
Total Cash Disbursements	68,309	546,516	-	-	-	614,825
Excess of Receipts Over (Under) Disbursements	25,700	(168,589)	-	-	-	(142,889)
Other Financing Receipts (Disbursements)						
Other Debt Proceeds	-	66,782	-	-	-	66,782
<i>Total Other Financing Receipts (Disbursements)</i>	<i>0</i>	<i>66,782</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>66,782</i>
Net Change in Fund Cash Balances	25,700	(101,807)	-	-	-	(76,107)
Fund Cash Balances, January 1-	(17,293)	236,034	9,317	753	53	228,864
Fund Cash Balances, December 31						
Restricted	-	134,227	9,317	753	53	144,350
Assigned	680	-	-	-	-	680
Unassigned (Deficit)	7,727	-	-	-	-	7,727
Fund Cash Balances, December 31	<u>\$ 8,407</u>	<u>\$ 134,227</u>	<u>\$ 9,317</u>	<u>\$ 753</u>	<u>\$ 53</u>	<u>\$ 152,757</u>

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

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**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

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.

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.

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 Funds:

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.

Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Public Works Commission Fund The township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

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 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 re appropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$89,848	\$94,009	\$4,161
Special Revenue	338,036	444,709	106,673
Debt Service	18,634	0	(18,634)
Total	\$446,518	\$538,718	\$92,200

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$71,925	\$68,309	\$3,616
Special Revenue	572,182	546,516	25,666
Debt Service	18,634	0	18,634
Total	\$662,741	\$614,825	\$47,916

Note 4 – Deposits

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

	2018
Demand deposits	\$152,757
Total deposits	152,757

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized by securities specifically pledged by the financial institution to the Township

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.

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.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

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, 2018.

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2018.

Social Security

Some Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2018.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(Continued)**

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Republic First National- Squad Contract	\$47,400	3.252%
Kansa State Bank- Backhoe	\$66,782	3.170%
Total	\$114,182	

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.

On February 22, 2018 the Township entered into a contract with Kansa State Bank for the purchase of a Backhoe from Southeastern Equipment with State Contract #800585 for use in the cemetery and on the roads if necessary for the purchase price of \$66,781.65 for a 5 year period with an annual payment beginning in February of 2019.

Amortization

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

Year Ending December 31:	Contract	Back Hoe Contract
2019	\$ 18,634	\$ 14,724
2020	18,634	14,724
2021	18,634	14,724
2022	0	14,724
2023	0	14,724
Total	\$ 55,902	\$73,620

**PAXTON TOWNSHIP
ROSS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$ 59,306	\$ 119,688	\$ -	\$ -	\$ -	\$ 178,994
Intergovernmental	33,808	143,821	-	-	-	177,629
Charges for Services	-	107,298	-	-	-	107,298
Fines, Licenses and Permits-	-	12,539	-	-	-	12,539
Earnings on Investments	45	-	-	-	-	45
Miscellaneous	1,826	11,804	-	-	-	13,630
<i>Total Cash Receipts</i>	<u>94,985</u>	<u>395,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,135</u>
Cash Disbursements						
Current:						
General Government	65,265	160,963	-	-	-	226,228
Public Safety	1,500	45,082	-	-	-	46,582
Public Works	-	112,614	-	-	-	112,614
Health	-	46,101	-	-	-	46,101
Capital Outlay	-	6,368	-	-	-	6,368
Debt Service:						
Principal Retirement	-	15,860	-	-	-	15,860
Interest and Fiscal Charges	-	2,774	-	-	-	2,774
<i>Total Cash Disbursements</i>	<u>66,765</u>	<u>389,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,527</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>28,220</u>	<u>5,388</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,608</u>
<i>Net Change in Fund Cash Balances</i>	28,220	5,388	-	-	-	33,608
<i>Fund Cash Balances, January 1-</i>	<u>(45,513)</u>	<u>230,646</u>	<u>9,317</u>	<u>753</u>	<u>53</u>	<u>195,256</u>
Fund Cash Balances, December 31						
Restricted	-	236,034	9,317	753	53	246,157
Assigned	-	-	-	-	-	-
Unassigned (Deficit)	<u>(17,293)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,293)</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$(17,293)</u></u>	<u><u>\$236,034</u></u>	<u><u>\$ 9,317</u></u>	<u><u>\$ 753</u></u>	<u><u>\$ 53</u></u>	<u><u>\$ 228,864</u></u>

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

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**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

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Note 2 – Summary of Significant Accounting Policies

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Capital Project Funds These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant capital project funds:

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Public Works Commission Fund The township received a grant from the state for capital improvements. The proceeds are restricted for capital improvement.

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 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 re appropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

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.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$90,555	\$94,985	\$4,430
Special Revenue	328,399	395,150	66,751
Debt Service	18,634	0	(18,634)
Capital Projects	0	0	0
Permanent	0	0	0
Total	\$437,588	\$490,135	\$52,547

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$88,450	\$66,765	\$21,685
Special Revenue	500,250	389,762	110,488
Debt Service	18,635	0	18,635
Capital Projects	753	0	753
Permanent	53	0	53
Total	\$608,141	\$456,527	\$151,614

Note 4 – Deposits

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

	2017
Demand deposits	\$228,864
Total deposits	228,864

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; [or] collateralized by securities specifically pledged by the financial institution to the Township

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.

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.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

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, 2017.

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Some 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, 2017.

Social Security

Some Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 8 – Postemployment Benefits

OPERS offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2016, and 1.0 percent during calendar year 2017.

**PAXTON TOWNSHIP
ROSS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(Continued)**

Note 9 – Debt

Debt outstanding at December 31, 2017, was as follows:

	Principal	Interest Rate
Republic First National- Squad Contract	\$66,035	3.252%
Total	\$66,035	

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
2018	\$18,634
2019	18,634
2020	18,634
2021	18,634
Total	\$74,536

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
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Blue Ash, Ohio 45242-1817
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SouthwestRegion@ohioauditor.gov

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
5837 Jester Hill Rd.
PO BOX 283
Bainbridge, OH 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 years ended December 31, 2018 and 2017, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2019, 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.

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 finding 2018-001 and 2018-002 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 an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-003.

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 subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 report is not suitable for any other purpose.



Keith Faber
Auditor of State

Columbus, Ohio

November 7, 2019

**PAXTON TOWNSHIP
ROSS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018 AND 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2018-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following conditions related to the Township's accounting system in 2018 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax receipts were overstated and Intergovernmental Receipts were understated by \$5,178 in the General fund.
- Intergovernmental receipts were overstated in the General fund by \$3,016. Miscellaneous receipts were understated in the General fund by \$663, in the Gasoline Tax fund by \$905, in the Cemetery fund by \$1,086, and in the Fire Levy Bainbridge fund by \$362.
- General Government disbursements were understated by \$114 in the Ambulance & EMS Levy fund and by \$244 in the Ambulance & EMS fund.
- Capital Outlay and Other Debt Proceeds were both understated in the Cemetery Levy, Road and Bridge, and Cemetery funds in the amounts of \$10,017, \$18,031 and \$38,734 respectively.

The following conditions related to the Township's accounting system in 2017 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$5,209 in the General fund.
- General Government disbursements were understated by \$124 in the Ambulance & EMS Levy fund and by \$264 in the Ambulance & EMS fund.
- Tax Receipts and Intergovernmental Receipts were overstated in the Motor Vehicle License Tax fund by \$6,366 and \$1,286, respectively and Tax receipts were understated in the Permissive Motor Vehicle License Tax fund by \$7,652.
- Intergovernmental Receipts were overstated in the Gasoline Tax fund and Charges for Services were understated in the Ambulance & EMS fund by \$4,150.
- Property Tax Receipts were overstated in the General fund by \$2,453; by \$547 in the Road and Bridge fund; by \$1,574 in the Fire Levy Bainbridge fund; by \$417 in the Fire Levy no Bainbridge fund; by \$761 in the Ambulance & EMS Levy fund; by \$595 in the Cemetery Levy fund; and by \$1,358 in the Ambulance & EMS fund.
- General Government disbursements were overstated by \$11 in the general fund; by \$94 in the Road and Bridge fund; by \$366 in the Fire Levy Bainbridge fund; and by \$5 in the Cemetery fund. Intergovernmental receipts were understated in the Ambulance & EMS fund by \$7,229.

**FINDING NUMBER 2018-001
(Continued)**

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

The Township made additional errors in classifying receipt and disbursement transaction line items in various funds in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$11 to \$2,108 in 2018 and ranging from \$10 to \$2,092 in 2017. The Township did correct the financial statements for these errors.

Failure to accurately post and report transactions could result in material errors in the Township's financial statements and reduces the Township's ability to monitor financial activity and to make sound decisions.

The Township should correct deficiencies in the monitoring and review process in order to help accurately record financial transactions. The Township should reference the Ohio Township Handbook at ohioauditor.gov/publications/TownshipHandbook.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-002

Material Weakness

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not accurately posted to the accounting system for 2017 or 2018. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not accurately posted to the accounting system for 2017. A comparison of the authorized amounts to the amounts posted follows.

**FINDING NUMBER 2018-002
 (Continued)**

2017 Appropriations

Fund	Final Appropriation Resolution	Final Appropriations Posted to Accounting System	Variance
General (1000)	\$88,450.00	\$90,550.00	\$(2,100.00)
Miscellaneous Capital Projects (4901)	753.37	0	753.37
Cemetery Bequest (4951)	53.48	0	53.48

2018 Appropriations

Fund	Final Appropriation Resolution	Final Appropriations Posted to Accounting System	Variance
General (1000)	\$71,925.00	\$69,425.00	\$2,500.00
Fire Levy (2191)	58,250.00	68,250.00	(10,000.00)
Permissive Motor Vehicle License Tax (2231)	0	20,000.00	(20,000.00)
Ambulance & Emergency Medical Services (2281)	189,000.00	194,000.00	(5,000.00)
Miscellaneous Capital Projects (4901)	0	753.37	(753.37)
Cemetery Bequest (4951)	0	53.48	(53.48)

2017 Estimated Resources

Fund:	Certificate of Estimated Resource	Estimated Resources posted to Accounting System	Variance
General (1000)	\$90,554.88	\$89,260.56	\$1,294.32
Road & Bridge (2031)	24,068.80	49,131.72	(25,062.92)
Fire Levy (2191)	39,981.12	40,208.00	(226.88)
Fire Levy (2192)	9,858.81	9,829.74	29.07
Ambulance & EMS Operating Levy (2193)	5,243.51	5,307.47	(63.96)
Cemetery Levy (2194)	10,664.73	10,731.88	(67.15)
Ambulance & Emergency Medical Service (2281)	116,821.90	116,970.37	(148.47)

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should implement procedures to accurately post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Officials' Response:

We did not receive a response from Officials to this finding.

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 5705.41 (D)(1) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. "Then and Now" Certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Townships funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

The following noncompliance related to 2018 disbursements was identified: \$1,884 of the \$1,884 General Fund disbursements tested and \$33,357 of the \$86,108 Special Revenue Fund disbursements tested were not certified prior to purchasing commitment.

**FINDING NUMBER 2018-003
(Continued)**

The following noncompliance related to 2017 disbursements was identified: \$1,800 of the \$5,486 General Fund disbursements tested and \$56,876 of the \$88,963 Special Revenue Fund disbursements tested were not certified prior to purchasing commitment. The Township also failed to record encumbrances at December 31, 2017 in the amount of \$7,613.

There was no evidence the Township followed the aforementioned exceptions. The Township did not have sufficient internal controls in place to ensure the certification of the availability of funds. Failure to certify the availability of funds properly can result in overspending funds and negative cash fund balances.

Township officials and employees should implement internal controls to obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language Section 5705.41(D) requires to authorize disbursements. The Fiscal Officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation. We also recommend that Then and Now certificates be used only when necessary.

Officials' Response:

We did not receive a response from Officials to this finding.

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**PAXTON TOWNSHIP
ROSS COUNTY
PO Box 283
Bainbridge, OH 45612**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018 AND 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	The Township lacked controls to ensure that certain transactions were posted accurately.	Not Corrected	Reissued as finding 2018-001
2016-002	The Township placed EMS collected fees in the General Fund rather than in the Fire and Rescue Fund.	Corrected	
2016-003	The Township Trustees salary certifications did not agree to pay allocations approved in the annual resolution. The Fiscal Officer was paid from funds other than the General Fund without any certification.	Not Corrected	Reissued in the Management Letter as noncompliance due to cash in lieu of benefits certifications.
2016-004	The Township has negative fund cash balances in the General Fund.	Not Corrected	Reissued in the Management Letter.
2016-005	The Township Trustees voted to give a bonus to the Fiscal Officer. The bonus for the Fiscal Officer is considered an in-term increase in compensation and therefore would not be allowed under Ohio Revised Code § 507.09.	Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



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
DECEMBER 3, 2019**