



Dave Yost • Auditor of State

**LENOX TOWNSHIP
ASHTABULA COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Lenox Township
Ashtabula County
PO Box 423
Lenox, Ohio 44047

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 Lenox Township, Ashtabula County, (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.

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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 Lenox Township, Ashtabula 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 3 to the 2015 financial statements, the Township has restated the beginning Fund Balance of the January 1, 2015 Agency fund by \$1,450 and reduced Special Revenue fund balance by \$1,450 for deposits held for Community Center Rentals. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2017, 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.



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2017

LENOX TOWNSHIP
Ashtabula County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2016

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$77,504	\$117,669	\$195,173
Licenses, Permits and Fees	5,844	2,600	8,444
Intergovernmental	48,437	123,878	172,315
Earnings on Investments	941	22	963
Miscellaneous	3,454	7,373	10,827
<i>Total Cash Receipts</i>	<u>136,180</u>	<u>251,542</u>	<u>387,722</u>
Cash Disbursements			
Current:			
General Government	80,165	74,452	154,617
Public Works		200,835	200,835
Health	17,179	5,486	22,665
Capital Outlay	24,966	4,539	29,505
Debt Service:			
Principal Retirement		14,883	14,883
Interest and Fiscal Charges		1,141	1,141
<i>Total Cash Disbursements</i>	<u>122,310</u>	<u>301,336</u>	<u>423,646</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>13,870</u>	<u>(49,794)</u>	<u>(35,924)</u>
<i>Fund Cash Balances, January 1</i>	115,112	223,305	338,417
Fund Cash Balances, December 31			
Restricted		173,511	173,511
Unassigned (Deficit)	128,982		128,982
<i>Fund Cash Balances, December 31</i>	<u>\$128,982</u>	<u>\$173,511</u>	<u>\$302,493</u>

See accompanying notes to the basic financial statements

LENOX TOWNSHIP
Ashtabula County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2016

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Miscellaneous	\$4,650
<i>Total Operating Cash Receipts</i>	4,650
Operating Cash Disbursements	
Other	4,400
<i>Total Operating Cash Disbursements</i>	4,400
<i>Operating Income (Loss)</i>	250
Non-Operating Receipts (Disbursements)	
<i>Net Change in Fund Cash Balances</i>	250
<i>Fund Cash Balances, January 1</i>	2,266
<i>Fund Cash Balances, December 31</i>	\$2,516
<i>See accompanying notes to the basic financial statements</i>	

LENOX TOWNSHIP
Ashtabula 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 Lenox Township, Ashtabula County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and fire protection. The Township contracts with the Village of Jefferson to provide fire services.

The Township participates in a public entity risk pool and is part of a Jointly Governed Organization. Notes 7 and 11 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 7

Jointly Governed Organization:
South Central Ambulance District (SCAD) Note 11

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.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other governments which are not available to support the Township's own programs. The Township has no Trust funds.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency funds are the Unclaimed Monies Fund which accounts for outstanding stale-dated checks which represent a legal debt of the Township and the Community Center deposit fund which hold Community room rental deposits.

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 cancelled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits and Investments The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Township also maintains a Certificate of Deposit at Andover Bank for the purpose of a Department of Natural Resources requirement due to Township ownership of a natural gas well on property.

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.

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 3 - 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 4 – Budgetary Activity

Budgetary activity for the year ending 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,100	\$136,180	\$29,080
Special Revenue	242,095	251,542	9,447
Total	\$349,195	\$387,722	\$38,527

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,780	\$122,310	\$51,470
Special Revenue	433,673	301,336	132,337
Total	\$607,453	\$423,646	\$183,807

Note 5 – Deposits and Investments

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:

	2016
Demand deposits	\$128,384
Certificates of deposit	5,000
Total deposits	133,384
	133,384
Investment - Star Ohio	171,625
Total deposits and investments	\$305,009

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 6 – 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.

Public utilities are also taxed on personal and real property located within the Township.

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

Note 7 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2016, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

2016 Contributions to
OTARMA

\$6,194

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

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

Note 8 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
General Obligation Note	\$30,884	2.50%
Total	\$30,884	

The Township issued general obligation note to finance the purchase of a new tractor and loader for the Township road maintenance. The Township's taxing authority collateralized the note. The note will be paid off in November 2018.

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

	General Obligation Notes
Year ending December 31:	
2017	\$16,023
2018	16,024
Total	\$32,047

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 - Jointly Governed Organizations

The constitution and laws of the State of Ohio establish the rights and privileges of the South Central Ambulance District, Ashtabula County (the District), as a body corporate and politic. Eleven Board members govern the District. Each political subdivision with the District appoints one member. Those subdivisions are Colebrook Township, Dorset Township, Hartsgrove Township, Lenox Township, Morgan Township, New Lyme Township, Orwell Township, Rome Township, Orwell Village, Rock Creek Village and Roaming Shores Village, in Ashtabula County. The District provides ambulance services within the District and be contract to areas outside the District.

Financial information can be obtained by contacting Dan Koziol, Director, 3100 US Highway 6, Rome, Ohio, 44085.

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LENOX TOWNSHIP
Ashtabula County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Cash Basis)*
All Governmental Fund Types
For the Year Ended December 31, 2015

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$76,066	\$115,594	\$191,660
Licenses, Permits and Fees	6,579	2,352	8,931
Intergovernmental	26,208	114,665	140,873
Earnings on Investments	212	30	242
Miscellaneous	2,771	6,590	9,361
<i>Total Cash Receipts</i>	<u>111,836</u>	<u>239,231</u>	<u>351,067</u>
Cash Disbursements			
Current:			
General Government	92,914	105,284	198,198
Public Works		166,635	166,635
Health	14,529	3,650	18,179
Capital Outlay		2,520	2,520
Debt Service:			
Principal Retirement		0	0
Interest and Fiscal Charges		14,284	14,284
		1,739	1,739
<i>Total Cash Disbursements</i>	<u>107,443</u>	<u>294,112</u>	<u>401,555</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,393</u>	<u>(54,881)</u>	<u>(50,488)</u>
Other Financing Receipts (Disbursements)			
Transfers In		5,000	5,000
Transfers Out	(5,000)		(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>5,000</u>	<u>0</u>
<i>Net Change in Fund Cash Balances</i>	(607)	(49,881)	(50,488)
<i>Fund Cash Balances, January 1 (as restated, Note 3)</i>	<u>115,719</u>	<u>273,186</u>	<u>388,905</u>
Fund Cash Balances, December 31			
Restricted		223,305	223,305
Unassigned (Deficit)	115,112		115,112
<i>Fund Cash Balances, December 31</i>	<u>\$115,112</u>	<u>\$223,305</u>	<u>\$338,417</u>

See accompanying notes to the basic financial statements

LENOX TOWNSHIP
Ashtabula County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balance (Cash Basis)*
Fiduciary Fund Type
For the Year Ended December 31, 2015

	Fiduciary Fund Type
	Agency
Operating Cash Receipts	
Miscellaneous	\$5,350
<i>Total Operating Cash Receipts</i>	5,350
Operating Cash Disbursements	
Other	4,679
<i>Total Operating Cash Disbursements</i>	4,679
<i>Operating Income (Loss)</i>	671
Non-Operating Receipts (Disbursements)	
<i>Net Change in Fund Cash Balances</i>	671
<i>Fund Cash Balances, January 1 (as restated, Note 3)</i>	1,595
<i>Fund Cash Balances, December 31</i>	\$2,266
<i>See accompanying notes to the basic financial statements</i>	

LENOX TOWNSHIP
Ashtabula 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 Lenox Township, Ashtabula County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Jefferson to provide fire services.

The Township participates in a public entity risk pool and is part of a Jointly Governed Organization. Notes 8 and 12 to the financial statements provides additional information for these entities. These organizations are:

Public Entity Risk Pool:
Ohio Township Association Risk Management Authority (OTARMA) Note 8

Jointly Governed Organization:
South Central Ambulance District (SCAD) Note 12

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.

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

Fiduciary Funds Fiduciary funds include private purpose trust funds and agency funds. Trust funds account for assets held under a trust agreement for individuals, private organizations, or other

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

governments which are not available to support the Township's own programs. The Township has no Trust funds.

Agency Funds are purely custodial in nature and are used to hold resources for individuals, organizations or other governments. The Township disburses these funds as directed by the individual, organization or other government. The Township's agency funds are the Unclaimed Monies Fund which accounts for outstanding stale-dated checks which represent a legal debt of the Township and the Community Center deposit fund which hold Community room rental deposits.

Basis of Accounting

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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 cancelled, and reappropriated in the subsequent year.

A summary of 2015 budgetary activity appears in Note 4.

Deposits and Investments The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively. .

Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report. The Township also maintains a Certificate of Deposit at Andover Bank for the purpose of a Department of Natural Resources requirement due to Township ownership of a natural gas well on property.

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.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

Note 3 – Restatement Fund Balance

The Township changed its accounting practice by placing Community Center rental deposits in the Community Center Rental Deposit Agency fund instead of the Community Center Special Revenue fund. This change increased the Agency fund January 1, 2015 fund balance by \$1,450 and reduced the January 1, 2015 Special Revenue fund balance by \$1,450.

Note 4 - 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.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 5 – Budgetary Activity

Budgetary activity for the year ending 2015 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$107,100	\$111,836	\$4,736
Special Revenue	242,095	244,231	2,136
Total	\$349,195	\$356,067	\$6,872

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$173,780	\$112,443	\$61,337
Special Revenue	433,673	294,112	139,561
Total	\$607,453	\$408,555	\$200,898

Note 6 – Deposits and Investments

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:

	2015
Demand deposits	\$164,972
Certificates of deposit	5,000
Total deposits	169,972
Investment - STAR Ohio	170,711
Total deposits and investments	\$340,683

Deposits

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

Investments

Investments in STAR Ohio and mutual funds are not evidenced by securities that exist in physical or book-entry form.

Note 7 – 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.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Public utilities are also taxed on personal and real property located within the Township.

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

Note 8 - Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

Risk Pool Membership

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015

	<u>2015</u>
Assets	\$37,313,311
Liabilities	8,418,518
Net Position	\$28,894,793

At December 31, 2015, respectively, the liabilities above include approximately \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 989 member governments in the future, as of December 31, 2015. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>2015 Contributions to</u>
<u>OTARMA</u>
\$6,477

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

Note 9 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

Township 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%, of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

Note 10 – 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. OPERS contributes 2 percent of the employer contribution to fund these benefits, and OP&F contributes 0.5 percent to fund these benefits.

Note 11 – Debt

Debt outstanding at December 31, 2015 was as follows:

General Obligation Note	<u>Principal</u>	<u>Interest Rate</u>
Total	<u>\$45,760</u>	2.50%
	<u>\$45,760</u>	

The Township issued general obligation note to finance the purchase of a new tractor and loader for the Township road maintenance. The Township's taxing authority collateralized the note. The note will be paid off in November 2018.

LENOX TOWNSHIP
Ashtabula County
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

Year ending December 31:	General Obligation Note
2016	\$16,023
2017	16,023
2018	16,024
Total	<u>\$48,070</u>

Note 12 - Jointly Governed Organizations

The constitution and laws of the State of Ohio establish the rights and privileges of the South Central Ambulance District, Ashtabula County (the District), as a body corporate and politic. Eleven Board members govern the District. Each political subdivision with the District appoints one member. Those subdivisions are Colebrook Township, Dorset Township, Hartsgrove Township, Lenox Township, Morgan Township, New Lyme Township, Orwell Township, Rome Township, Orwell Village, Rock Creek Village and Roaming Shores Village, in Ashtabula County. The District provides ambulance services within the District and be contract to areas outside the District.

Financial information can be obtained by contacting Dan Koziol, Director, 3100 US Highway 6, Rome, Ohio, 44085.

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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*

Lenox Township
Ashtabula County
PO Box 423
Lenox, Ohio 44047

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 Lenox Township, Ashtabula County, (the Township) as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements and have issued our report thereon dated November 22, 2017 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 adopted an accounting change to report Community Center rental deposits in an Agency fund and restated their beginning fund balances.

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 a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2016-001 to be a material weakness.

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 2016-001.

Township's Response to Findings

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response 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 communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

November 22, 2017

**LENOX TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2016**

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

1. Financial Reporting

<i>Finding Number</i>	2016-001
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NONCOMPLIANCE AND MATERIAL WEAKNESS

Sound financial reporting is the responsibility of the Fiscal Officer and the Board of Trustees and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The following posting deficiencies were noted in the financial statements and the accounting records:

- In 2015 Homestead and Rollback receipts in the General Fund totaling \$12,937 was posted to local taxes instead of intergovernmental revenue; cable company franchise fees of \$4,696 and \$1,952 of revenue was recorded as a transfers-in instead of miscellaneous receipts. Disbursements of \$9,950 were made from the contingencies line item instead of to general government expenditures.
- In 2015 Homestead and Rollback receipts in the Special Revenue Funds totaling \$15,788 were posted as local taxes instead of intergovernmental revenue.
- In 2016 Homestead and Rollback receipts in the General Fund totaling \$12,662 was posted to local taxes instead of intergovernmental revenue; cable company franchise fees of \$1,285 were recorded as miscellaneous receipts instead of License, Permits and Fees; NOPEC grant receipts totaling \$25,708 were posted as miscellaneous receipts instead of intergovernmental revenue. Disbursements of \$32,728 were made from contingencies line item instead of \$4,612 to general government expenditures, \$3,150 public works expenditures and \$24,966 capital outlay expenditures.
- Homestead and rollback receipts in Special Revenue Funds totaling \$14,521 were posted to local taxes instead of intergovernmental revenue.

Additionally Ohio Rev. Code § 5705.10 (C) provides all revenue derived from a special levy shall be credited to a special fund for the purpose for which the levy was made. Section (I) provides money paid into any fund shall be used only for the purposes for which such fund is established.

The following transactions were posted to the incorrect funds.

- In 2016, Homestead and Rollback receipts were posted in error. The Road & Bridge fund was due \$4,247 — \$4,193 from the General Fund and \$54 from the Fire fund. The Community Center Improvement Fund was due \$73 from the Fire fund.
- The 2016 excess Interstate Registration Plan (IRP) distribution totaling \$246 was posted to the General Fund instead of to the Motor Vehicle License fund.
- In 2015, Homestead and Rollback receipts totaling \$2,742 were posted to the General Fund instead of posting \$1,627 to the Road & Bridge fund and \$1,115 to the Fire fund. Also, \$484 was posted to the Community Center Improvement Fund instead of to the Fire Fund.

**LENOX TOWNSHIP
ASHTABULA COUNTY**

**SCHEDULE OF FINDINGS
JANUARY 1, 2015 THROUGH DECEMBER 31, 2016**

- The July 2015 state-provided local government fund revenue, amounting to \$521, was incorrectly posted to the Road & Bridge fund instead of to the General Fund.
- The 2015 excess IRP distribution, totaling \$237, was incorrectly posted to the General Fund instead of to the Motor Vehicle License fund.
- The 2015 manufactured homes homestead exemption revenue of \$314 was posted to the General Fund instead of \$168 to the Road & Bridge fund, \$89 to the Fire Levy fund, and \$57 to the Community Center Improvement Fund.

To correct the financial statements, the Fiscal Officer posted adjustments to the Township's Financial Statements and where applicable, the accounting records.

Failure to accurately record revenues and expenditures to the proper funds and line items resulted in misstatements to the financial statements; adjustments are reflected in the financial statements. The lack of accurate record keeping could result in the Township expending money that is not available in a particular fund and may cause errors to go undetected.

We recommend the Fiscal Officer use the Ohio Township Handbook, the UAN Accounting Manual, and any other applicable guidance from the Auditor of State's Office as sources of information regarding the proper recording of transactions. Additionally, the Board of Trustees should review monthly financial reports and cash reconciliations from the Fiscal Officer for changes in anticipated revenue and for accuracy and completeness of expenditures and transfers. Discrepancies should be investigated and corrected in a timely manner.

Official's Response: Posting errors made during the audit period were corrected by the Fiscal Officer and any questions regarding future postings will be directed to Auditor of State Local Government Services or UAN.



Dave Yost • Auditor of State

LENOX TOWNSHIP

ASHTABULA 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 19, 2017