



OHIO AUDITOR OF STATE
KEITH FABER



**PAINT TOWNSHIP
FAYETTE COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2018	3
Notes to the Financial Statements For the Year Ended December 31, 2018.....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis) – All Government Fund Types For the Year Ended December 31, 2017	11
Notes to the Financial Statements For the Year December 31, 2017	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings	21

This page intentionally left blank.



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Paint Township
Fayette County
11899 SR 38
Bloomington, Ohio 45106

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 Paint Township, Fayette 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 Paint Township, Fayette 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 September 18, 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

September 18, 2019

Paint Township*Fayette County County, Ohio**Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2018*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$24,949	\$62,919	\$87,868
Intergovernmental	21,615	109,956	131,571
Earnings on Investments	2,572	2,442	5,014
Miscellaneous	1,278	8,385	9,663
<i>Total Cash Receipts</i>	<u>50,414</u>	<u>183,702</u>	<u>234,116</u>
Cash Disbursements			
Current:			
General Government	86,929		86,929
Public Safety	10,750		10,750
Public Works		120,958	120,958
Health	3,633		3,633
Capital Outlay		28,216	28,216
<i>Total Cash Disbursements</i>	<u>101,312</u>	<u>149,174</u>	<u>250,486</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,898)</u>	<u>34,528</u>	<u>(16,370)</u>
<i>Fund Cash Balances, January 1</i>	<u>\$443,109</u>	<u>\$612,263</u>	<u>1,055,372</u>
Fund Cash Balances, December 31			
Restricted		646,791	646,791
Assigned	380,022		380,022
Unassigned (Deficit)	12,189		12,189
<i>Fund Cash Balances, December 31</i>	<u>\$392,211</u>	<u>\$646,791</u>	<u>\$1,039,002</u>

See accompanying footnotes to the basic financial statements

This page intentionally left blank.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 – Reporting Entity

The Paint Township, Fayette County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridge maintenance of cemeteries. The Township contracts with the BPM Joint Fire District to provide fire services.

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.

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

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.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The Fayette County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

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

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

A summary of 2018 budgetary activity appears in Note 3.

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.

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.

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.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2018

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 December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$34,386	\$50,414	\$16,028
Special Revenue	162,799	183,702	20,903
Total	\$197,185	\$234,116	\$36,931

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$420,645	\$101,312	\$319,333
Special Revenue	743,287	149,174	594,113
Total	\$1,163,932	\$250,486	\$913,446

Note 4 – 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:

Demand deposits	2018 \$999,636
Certificates of deposit	39,366
Total deposits	1,039,002

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Deposits

Deposits are collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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 6 – Risk Management

Risk Pool Membership

Paint Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

During 2018 Paint Township made \$4,633 payments for casualty claims that exceeded the limits of the casualty policy.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – 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 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.

Note 8 – Postemployment Benefits

OPERS offers 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 of both the traditional pension and the combined plans. OPERS contributes 4 percent of the employer contribution to fund these benefits.

This page intentionally left blank.

Paint Township*Fayette County County, Ohio**Combined Statement of Receipts, Disbursements**and Changes in Fund Balances (Regulatory Cash Basis)**All Governmental Fund Types**For the Year Ended December 31, 2017*

	General	Special Revenue	Total
Cash Receipts			
Property and Other Local Taxes	\$22,901	\$60,470	\$83,371
Licenses, Permits and Fees	75		75
Intergovernmental	21,292	107,007	128,299
Earnings on Investments	889	406	1,295
Miscellaneous	1,493		1,493
<i>Total Cash Receipts</i>	<u>46,650</u>	<u>167,883</u>	<u>214,533</u>
Cash Disbursements			
Current:			
General Government	94,385		94,385
Public Safety	380		380
Public Works		32,035	32,035
Capital Outlay	345		345
<i>Total Cash Disbursements</i>	<u>95,110</u>	<u>32,035</u>	<u>127,145</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(48,460)</u>	<u>135,848</u>	<u>87,388</u>
<i>Fund Cash Balances, January 1</i>	<u>491,569</u>	<u>476,415</u>	<u>967,984</u>
Restricted		612,263	612,263
Assigned	386,259		386,259
Unassigned	56,850		56,850
<i>Total Fund Cash Balances, December 31</i>	<u><u>\$443,109</u></u>	<u><u>\$612,263</u></u>	<u><u>\$1,055,372</u></u>

See accompanying footnotes to the basic financial statements

This page intentionally left blank.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The Paint Township, Fayette County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridge maintenance of cemeteries. The Township contracts with the BPM Joint Fire District to provide fire services.

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.

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

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.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Budgetary Process

The Ohio Revised Code requires that each fund (except certain agency funds) 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. The Fayette County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

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

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

A summary of 2017 budgetary activity appears in Note 4.

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.

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.

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.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Special Revenue fund by \$95,110 and \$32,035 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2017 follows:

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$32,354	\$46,650	\$14,296
Special Revenue	158,896	167,883	8,987
Total	\$191,250	\$214,533	\$23,283

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$95,110	(\$95,110)
Special Revenue	0	32,035	(32,035)
Total	\$0	\$127,145	(\$127,145)

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:

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

	<u>2017</u>
Demand deposits	\$1,016,084
Certificates of deposit	<u>39,288</u>
Total deposits	<u>1,055,372</u>

Deposits

Deposits are collateralized by securities specifically pledged by the financial institution to the Township.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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.

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, 2017, 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

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

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, 2017.

	2017
Assets	\$40,010,732
Liabilities	8,675,465
Net Position	\$31,335,267

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$2,024

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>2017 Contributions to OTARMA</u>
\$ 4,599

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 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries.

Paint Township, Fayette County
Notes to the Financial Statements
For the Year Ended December 31, 2017

The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers 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 of both the traditional pension and the combined plans. OPERS contributes 1 percent of the employer contribution to fund these benefits.

Note 10 - FUND RECLASSIFICATION AND RESTATEMENT OF FUND BALANCES

Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprised a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds.

The Township has reclassified the fund balances below to comply with GASB Statement No. 54, which resulted in the following change to fund balances at December 31, 2016, as previously reported:

	General Fund	Special Revenue Fund
Fund Balance Previously Reported at 12/31/16	\$452,564	\$515,420
Client Prepared Adjustments 2017	39,005	(39,005)
Fund Balance Restated 01/01/17	\$491,569	\$476,415

OHIO AUDITOR OF STATE KEITH FABER



Corporate Centre of Blue Ash
11117 Kenwood Road
Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

Paint Township
Fayette County
11899 SR 38
Bloomington, Ohio 45106

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 Paint Township, Fayette 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 September 18, 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 through 2018-003 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-001, 2018-002, 2018-004 and 2018-005.

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

September 18, 2019

**PAINT TOWNSHIP
FAYETTE COUNTY**

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

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

FINDING NUMBER 2018-001

Material Weakness and Noncompliance

Ohio Rev. Code § 5705.10 provides that revenue for which the law does not prescribe a particular use is required to be paid into the general fund.

AOS Bulletin 2011-04 provides guidance on Governmental Accounting Standards Board Statement Number 54 (GASB 54) and states that local governments preparing regulatory statements should implement both the fund balance classifications and the governmental fund type definitions. GASB 54, as codified in sections 1300.105, .106, .108 and .113, provide that *special revenue funds* should be used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

The Township did not have controls in place to ensure that investment accounts were included in the Township fund balance and properly classified. We identified the following conditions:

- The Township did not properly record their Certificate of Deposit as part of their Fund Balance on the filed Hinkle System financial statements during 2018 and 2017.
- The Township reported the Certificate of Deposit in the 2016 audited statements as part of the Special Revenue Fund; however, it was determined there were no restrictions related to the monies. The Certificate of Deposit should be included as part of the General Fund Balance.

These conditions resulted in the following financial statement errors:

2018					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Not posted	\$39,005	General Fund	Fund Balance-Beginning	\$39,005

2017					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
General Fund	Not Posted	\$39,005	General Fund	Fund Balance-Beginning	\$39,005

The Township has corrected the financial statements and accounting records to address the above posting errors.

The Township should review Ohio Revised Code 5705.10 and GASB codification section 1300 to determine how the fund should be recorded on the financial statements.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2018-002

Noncompliance and Material Weakness

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

Compensation during 2018 and 2017 for the Township Trustees was paid from the General Fund and also allocated to other funds. Per the Ohio Revised Code and the Township's policy (established by resolution in the minutes), the time spent working on matters that are to be paid from funds other than the General fund must be certified.

The Township Trustees documented a resolution in the minutes, however, due to deficiencies in internal controls, they did not complete monthly certifications or produce support detailing the percentage of time that was spent providing services related to each fund that should have been charged during 2018 and 2017. The following funds were reallocated:

Payroll and Withholding Disbursement Reallocation		
	General	Gas Tax
2018 Payroll Allocation	\$ 29,327	(\$29,327)
2017 Payroll Allocation	\$ 28,862	(\$28,862)

Transactions lacking proper certification require compensation to be paid from the General Fund for the Trustees. The Township should ensure that payroll and disbursements paid from restricted funds are documented and accurately allocated.

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

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2018-003

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

2017					
Transaction as Posted (incorrect)			Correct Transaction Posting		
Fund	Account	Amount	Fund	Account	Amount
Gas Tax	Property Tax	\$91,269	Gas Tax	Intergovernmental	\$91,269
Permissive Motor Vehicle License	Property Tax	\$2,399	Permissive Motor Vehicle License	Intergovernmental	\$2,399
Motor Vehicle License	Property Tax	\$7,927	Motor Vehicle License	Intergovernmental	\$7,927
The Township incorrectly recorded Intergovernmental receipts as Property Taxes in the Gas Tax, Permissive Motor Vehicle License and Motor Vehicle License Fund.					
General	Taxes	\$9,875	General	Intergovernmental	\$7,463
Road & Bridge	Taxes	\$3,000	Road & Bridge	Intergovernmental	\$5,412
The Township incorrectly recorded Homestead and Rollback as Taxes in the General Fund and it should have been recorded in Intergovernmental and allocated appropriately.					
Gas Tax	Fund Balance Unassigned	\$167,118	Gas Tax	Fund Balance Restricted	\$167,118
Motor Vehicle License		\$62,952	Motor Vehicle License		\$62,952
Road & Bridge		\$378,462	Road & Bridge		\$378,462
Permissive Motor Vehicle License		\$3,731	Permissive Motor Vehicle License		\$3,731
The Township did not record restricted funds per Governmental Accounting Standards Board (GASB) 54 correctly, which resulted in the above reclassification.					
General	Fund Balance unassigned	\$386,259	General	Fund Balance Assigned	\$386,259
The Township did not record future appropriations per Governmental Accounting Standards Board (GASB) 54 correctly, which resulted in the above reclassification.					

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

2018					
<i>Transaction as Posted (incorrect)</i>			<i>Correct Transaction Posting</i>		
Fund	Account	Amount	Fund	Account	Amount
Gas Tax Fund	Property Tax	\$94,740	Gas Tax Fund	Intergovernmental	94,740
Permissive Motor Vehicle License Fund	Property Tax	\$2,262	Permissive Motor Vehicle License Fund	Intergovernmental	\$2,262
Motor Vehicle License Fund	Property Tax	\$7,504	Motor Vehicle License Fund	Intergovernmental	\$7,504
The Township incorrectly recorded Intergovernmental receipts as Property Taxes in the Gas Tax, Permissive Motor Vehicle License and Motor Vehicle License Fund.					
General	Intergovernmental	\$2,643	General	Property Tax	\$2,643
The County credited the Township for Real Estate Assessment fees withheld from their taxes in prior tax apportionment payments. The Township recorded the monies in Intergovernmental and should have been recorded as Taxes.					
General	Intergovernmental	\$5,450	Road & Bridge	Intergovernmental	\$5,450
The Township incorrectly recorded Homestead and Rollback in the General Fund and it should have been recorded in the Road & Bridge Fund.					
Road & Bridge Fund	Property Tax	\$8,385	Road & Bridge Fund	Miscellaneous	\$8,385
The Township received an insurance claim that was incorrectly recorded in Property Taxes and should have been recorded in Miscellaneous.					
Gas Tax	Fund Balance unassigned	\$178,113	Gas Tax	Fund Balance Restricted	\$178,113
Motor Vehicle License		\$39,671	Motor Vehicle License		\$39,671
Road & Bridge		\$422,875	Road & Bridge		\$422,875
Permissive Motor Vehicle License		\$6,132	Permissive Motor Vehicle License		\$6,132
The Township did not record restricted funds per Governmental Accounting Standards Board (GASB) 54 correctly, which resulted in the above reclassification.					
General	Fund Balance unassigned	\$380,022	General	Fund Balance assigned	\$380,022
The Township did not record future appropriations per Governmental Accounting Standards Board (GASB) 54 correctly, which resulted in the above reclassification.					

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

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

The District has corrected the financial statements and accounting records to address these posting errors. The Township should implement internal controls, including review the chart of accounts, to help assure that items are being posted to the proper account codes and funds.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2018-004

Noncompliance

Ohio Rev. Code, Section 5705.38(A) requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

While the Township asserted their 2017 Appropriations were filed with the county auditor, the amounts were not certified by the County Budget Commission and therefore the appropriation measure was not in effect.

Ohio Rev. Code, Section 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated. Because the appropriation measure was not in effect, the following funds had expenditures and outstanding encumbrances that exceeded appropriations:

2017	Appropriations	Expenditures + Outstanding Encumbrances	Excess
General	\$0	\$ 95,110	(\$95,110)
Motor Vehicle License Fund	\$0	\$31	(\$31)
Gasoline Tax	\$0	\$25,033	(\$25,033)
Road & Bridge	\$0	\$1,471	(\$1,471)
Permissive Motor Vehicle License Fund	\$0	\$5,500	(\$5,500)

Failure to approve and file their appropriations did not allow Township officials to monitor budgetary position and could result in overspending and negative fund balances.

The Township should file the appropriate budgetary documentation with the county auditor and Budget Commission as required by Ohio Law.

Officials' Response:

The Township Officials did not respond to the finding above.

FINDING NUMBER 2018-005

Noncompliance Citation – Finding for Recovery Repaid Under Audit

The Township received homestead and rollback funds from the State of Ohio in the amount of \$13,511; however, the monies should have been sent and receipted into the Bloomingburg Joint Cemetery books. During 2016, Fayette County converted to a new tax system. During the conversion Paint Township and Bloomingburg Joint Cemetery were included on the same taxing district. The County was aware of the situation and correctly disbursed the County Real Estate and Manufactured Home Taxes to the correct entities. However, when the state received the Homestead and Rollback information they were not aware of the issue; therefore, Paint Township received Bloomingburg Joint Cemetery monies. The amount of Homestead and Rollback received by Paint Township in error was the following:

2016 Homestead and Rollback	\$2,625
2017 Homestead and Rollback	\$5,375
2018 Homestead and Rollback	\$5,511
Total	\$13,511

In accordance with the foregoing facts and pursuant to Ohio Rev. Code § 117.28, a finding for recovery for public monies due but not collected is hereby issued against Paint Township in the amount of \$13,511 in favor of Bloomingburg Joint Cemetery.

The finding was repaid by Paint Township in the amount of \$13,511 by check number 9944, on September 12, 2019.

Officials' Response:

The Township Officials did not respond to the finding above.

OHIO AUDITOR OF STATE
KEITH FABER



PAINT TOWNSHIP

FAYETTE 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
OCTOBER 10, 2019**