



***PAXTON TOWNSHIP
ROSS COUNTY***

Regular Audit

**For the Years Ended
December 31, 2020 and 2019**

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS



OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Board of Trustees
Paxton Township
5837 Jester Hill Road
P.O. Box 283
Bainbridge, OH 45612

We have reviewed the *Independent Auditor's Report* of Paxton Township, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Paxton Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 17, 2021

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PAXTON TOWNSHIP, ROSS COUNTY
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Independent Auditor's Report

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

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type and related notes of the Paxton Township, Ross County, Ohio (the Township) as of and for the years ended December 31, 2020 and 2019.

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 statements misstatement, whether due to fraud or error. In assessing those risks, we consider internal controls 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 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 opinion.

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

As described in Note 2 of the December 31, 2020 and 2019 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 American (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, 2020 and 2019, or changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Paxton Township, Ross County as of December 31, 2020 and 2019, and its combined cash receipts and disbursements 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) permits, described in Note 2.

Emphasis of Matter

As discussed in Note 11 to the 2020 financial statements and Note 11 to the 2019 financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. 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 a report dated June 16, 2021 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 16, 2021

PAXTON TOWNSHIP, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2020

	<u>Governmental Fund Types</u>			<u>Totals</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Permanent</u>	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$62,807	\$125,706	\$0	\$188,513
Intergovernmental	46,634	164,505	0	211,139
Charges for Service	0	59,324	0	59,324
Fines, Licenses, and Permits	0	18,411	0	18,411
Earnings on Investments	282	0	0	282
Miscellaneous	3,815	33,360	0	37,175
Total Cash Receipts	113,538	401,306	0	514,844
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	66,440	113,366	0	179,806
Public Safety	2,681	65,008	0	67,689
Public Works	0	114,756	0	114,756
Health	0	21,108	0	21,108
Capital Outlay	0	2,080	0	2,080
<i>Debt Service:</i>				
Principal	0	30,382	0	30,382
Interest	0	2,977	0	2,977
Total Cash Disbursements	69,121	349,677	0	418,798
Cash Receipts Over/(Under) Cash Disbursements	44,417	51,629	0	96,046
Fund Cash Balances, January 1	15,900	109,476	53	125,429
<i>Fund Cash Balances, December 31</i>	\$60,317	\$161,105	\$53	\$221,475

See accompanying notes to the financial statements.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Note 1 — Reporting Entity

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

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

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

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

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

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

Debt Service Funds – Discontinued Debt Service fund per State Auditor in previous State Audit

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Cemetery Endowment Fund — The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted for the general maintenance and upkeep of the Township's cemetery. This fund is being phased out due to very little interest being accrued.

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 1 17.38 and Ohio Administrative Code Section 1 17-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2020 budgetary activity appears in Note 3

Deposits

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Capital Assets

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

Fund Balance

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

Non-spendable: The Township classifies assets as non-spendable 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 Un-assigned 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.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Note 3 — Budgetary Activity

Budgetary activity for the year ending 2020 as follows:

2020 Budgeted vs Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$113,538	\$113,538	\$0
Special Revenue	401,306	401,306	0
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$514,844</u></u>	<u><u>\$514,844</u></u>	<u><u>\$0</u></u>

2020 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$85,907	\$69,121	\$16,786
Special Revenue	457,511	349,676	107,835
Permanent	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u><u>\$543,418</u></u>	<u><u>\$418,797</u></u>	<u><u>\$124,621</u></u>

Note 4 - Deposits

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

	<u>2020</u>
Total Demand Deposits	<u><u>\$221,475</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation

Note 5 — Property Taxes

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Note 6 — Risk Management

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

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

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

Settlement amount did not exceed insurance coverage for the past three Year.

The Plan’s audited financial statements (audited by other accountants) conform to generally Accepted accounting principles, and reported the following assets, liabilities and member’s Equity at December 31, 2020 and 2019 (the latest information available).

	2020	2019
Assets	\$18,826,974	\$15,920,504
Liabilities	(13,530,267)	(11,329,011)
Members Equity	\$5,296,707	\$4,591,493

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Note 7 — Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Social Security

Several Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2019.

Note 9 – Debt

Debt outstanding at December 31, 2020, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Republic First National - Squad Contract	\$18,043	3.252%
Total	\$18,043	

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

Amortization

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

Year Ending December 31, 2021 Contract
\$18,634

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2020

Note 9 – Debt (Continued)

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

Debt Outstanding at December 31, 2020 was as follows:

Kansa State Bank - Backhoe	
<u>Principal</u>	<u>Interest Rate</u>
\$41,378	3.170%

Amortization Schedule for Back Hoe

2021	\$14,723.93
2022	\$14,723.93
2023	\$14,723.93

Note 10 – Fund Balances

The Fund balance of special revenue funds is either restricted or committed. Those restricted, committed, and assigned amounts in the special revenue funds would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned. The Township had no outstanding encumbrances at year end.

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

PAXTON TOWNSHIP, ROSS COUNTY
Combined Statement of Cash Receipts, Cash Disbursements, and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2019

	Governmental Fund Types				Totals
	General	Special Revenue	Capital Projects	Permanent	
<u>Cash Receipts:</u>					
Property and Local Taxes	\$61,820	\$123,835	\$0	\$0	\$185,655
Intergovernmental	37,268	155,914	0	0	193,182
Charges for Service	0	91,335	0	0	91,335
Fines, Licenses, and Permits	0	12,858	0	0	12,858
Earnings on Investments	224	0	0	0	224
Miscellaneous	10,200	19,296	0	0	29,496
Total Cash Receipts	109,512	403,238	0	0	512,750
<u>Cash Disbursements:</u>					
<i>Current:</i>					
General Government	91,659	144,538	0	0	236,197
Public Safety	2,860	65,039	0	0	67,899
Public Works	2,500	164,824	0	0	167,324
Health	0	25,007	0	0	25,007
Capital Outlay	0	9,540	0	0	9,540
<i>Debt Service:</i>					
Principal	0	29,409	0	0	29,409
Interest	0	3,949	0	0	3,949
Total Cash Disbursements	97,019	442,306	0	0	539,325
Cash Receipts Over/(Under) Cash Disbursements	12,493	(39,068)	0	0	(26,575)
<u>Other Financing Receipts (Disbursements)</u>					
Transfers In	0	5,000	0	0	5,000
Transfers Out	(5,000)	0	0	0	(5,000)
Other Financing Uses	0	0	(753)	0	(753)
Total Other Financing Receipts (Disbursements)	(5,000)	5,000	(753)	0	(753)
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	7,493	(34,068)	(753)	0	(27,328)
Fund Cash Balances, January 1	8,407	143,544	753	53	152,757
Restricted	0	109,476	0	53	109,529
Unassigned	15,900	0	0	0	15,900
Fund Cash Balances, December 31	\$15,900	\$109,476	\$0	\$53	\$125,429

See accompanying notes to the financial statements.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

Note 1 — Reporting Entity

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

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

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

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

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

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

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

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

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

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

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

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

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

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Budgetary Process

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

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

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

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

A summary of 2019 budgetary activity appears in Note 3

Deposits

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

Capital Assets

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

Fund Balance

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

Non-spendable: The Township classifies assets as non-spendable 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 Un-assigned 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.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

Note 3 — Budgetary Activity

Budgetary activity for the year ending 2019 as follows:

2019 Budgeted vs Actual Receipts

General	\$109,512	\$109,512	\$0
Special Revenue	<u>413,927</u>	<u>408,238</u>	<u>(5,689)</u>
Total	<u><u>\$523,439</u></u>	<u><u>\$517,750</u></u>	<u><u>(\$5,689)</u></u>

2019 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$106,834	\$102,019	\$4,815
Special Revenue	507,127	442,306	64,821
Capital Projects	753	753	0
Permanent	<u>53</u>	<u>0</u>	<u>53</u>
Total	<u><u>\$614,767</u></u>	<u><u>\$545,078</u></u>	<u><u>\$69,689</u></u>

Note 4 - Deposits

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

	<u>2019</u>
Total Demand Deposits	<u><u>\$125,429</u></u>

Deposits are insured by the Federal Deposit Insurance Corporation

Note 5 – Prior Period Adjustments

In 2019, the Auditor of State informed the Township they should no longer use the Debt Service Fund to pay debt. The Township made an adjustment to move the Debt Service Fund Balance to the Fire Levy Fund. This resulted in a restatement of the prior period cash balance.

	<u>Debt Service</u>	<u>Fire Levy Fund</u>
Fund Balance at December 31, 2018	\$9,317	\$0
Change in Cash Balance	<u>(9,317)</u>	<u>9,317</u>
Adjusted Fund Balance at December 31, 2018	<u><u>\$0</u></u>	<u><u>\$9,317</u></u>

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

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

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

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

Settlement amount did not exceed insurance coverage for the past three Year.

The Plan’s audited financial statements (audited by other accountants) conform to generally Accepted accounting principles, and reported the following assets, liabilities and member’s Equity at December 31, 2019 and 2018 (the latest information available).

	2019	2018
Assets	\$15,920,504	\$15,065,412
Liabilities	(13,530,267)	(10,734,623)
Members Equity	\$2,390,237	\$4,330,789

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

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

Note 8 — Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Social Security

Several Township's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants. Employees contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

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. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 2.0 percent during calendar year 2019.

Note 10 – Debt

Debt outstanding at December 31, 2019, was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Republic First National - Squad Contract	\$35,514	3.252%
Total	\$35,514	

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

Amortization

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

2020	\$18,634
2021	\$18,634

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2019

Note 10 – Debt (Continued)

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

Debt Outstanding at December 31, 2019 was as follows:

Kansa State Bank - Backhoe	
<u>Principal</u>	<u>Interest Rate</u>
\$54,289	3.170%

Amortization Schedule for Back Hoe

2020	\$14,724
2021	\$14,724
2022	\$14,724
2023	\$14,724

Note 11 – COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. The investments of the pension and other employee benefit plan in which the Township participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards***

Board of Trustees
Paxton Township, Ross County
5837 Jester Hill Rd.
Bainbridge, OH 45612

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts and disbursements by fund type of the Paxton Township, Ross County, Ohio (the Township), as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements and have issued our report thereon dated June 16, 2021, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permit. We also noted the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods of the Township.

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 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, material weaknesses may exist that have not been identified. During our audit we did identify certain deficiencies in internal control that we consider to be material weaknesses. We consider findings 2020-001 and 2020-002 to be material weaknesses.

Board of Trustees
Paxton Township, Ross County
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Required By *Government Auditing Standards*

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

June 16, 2021

PAXTON TOWNSHIP, ROSS COUNTY
Schedule of Findings
For the Years Ended December 31, 2020 and 2019

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

Finding Number 2020-001

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs. A14 & A16.

The following conditions related to the Township's accounting system in 2020 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$5,130 in the General fund.
- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$12,032 in the Special Revenue funds.
- Other revenue was overstated and Intergovernmental Revenue was understated by \$1,798 in the Special Revenue Funds.
- Principal was understated by \$12,723, Interest was overstated by \$1,523, Capital Outlay was overstated by \$975, Public Works was overstated by \$8,500 and Public Safety was overstated by \$1,725 in Special Revenue Funds.

The following conditions related to the Township's accounting system in 2019 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$5,078 in the General fund.
- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$12,417 in the Special Revenue funds.
- Debt principal was understated and Interest was overstated by \$1,316.
- Debt Activity was recorded in the Debt Service Fund. The Fund Balance of \$9,317, Property and Local Taxes of \$18,634, Principal of \$16,916 and Interest of \$1,718 was moved from the Debt Service Fund to Fire Levy Fund.
- Principal was understated by \$6,223, Public Works was understated by \$4,000 and Public Safety was understated by \$2,223 in Special Revenue Funds.

We made some necessary changes to the Township's originally submitted notes to the financial statements.

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

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

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

PAXTON TOWNSHIP, ROSS COUNTY
Schedule of Findings
For the Years Ended December 31, 2020 and 2019

Officials' Response:

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

<i>Finding Number 2020-002</i>

Material Weakness

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

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

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

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not accurately posted to the accounting system for 2019. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not accurately posted to the accounting system for 2019 and 2020. A comparison of the authorized amounts to the amounts posted follows.

2019 Appropriations

Fund	Final Appropriation Resolution	Final Appropriations Posted to Accounting System	Variance
General	\$105,925	\$106,835	\$910
Special Revenue	485,080	488,493	3,413

2019 Estimated Resources

Fund	Certificate of Estimated Resource	Estimated Resources posted to Accounting System	Variance
General	\$118,956	\$109,512	(\$9,444)
Special Revenue	525,373	395,293	(130,080)
Debt Service	27,951	18,634	(9,317)
Capital Projects	753	0	(753)
Permanent	53	0	(53)

PAXTON TOWNSHIP, ROSS COUNTY
Schedule of Findings
For the Years Ended December 31, 2020 and 2019

Finding Number 2020-002 (Continued)

2020 Estimated Resources

Fund	Certificate of Estimated Resource	Estimated Resources posted to Accounting System	Variance
General	\$129,439	\$113,539	(\$15,900)
Special Revenue	510,779	401,302	(109,477)
Permanent	53	0	(53)

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

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

Officials' Response:

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

PAXTON TOWNSHIP, ROSS COUNTY
Schedule of Prior Audit Findings
For the Years Ended December 31, 2020

Finding Number	Description	Status	Comments
2018-001	The Township lacked controls to ensure that certain transactions were posted accurately.	Not Corrected	Reissued as finding 2020-001
2018-002	The Township did not accurately post appropriations and estimated resources to the ledgers.	Not Corrected	Reissued as finding 2020-002
2018-003	The Township did not properly use Certification of Funds.	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



PAXTON TOWNSHIP

ROSS COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 8/31/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov