



OHIO AUDITOR OF STATE
KEITH FABER



**PAINT TOWNSHIP
HIGHLAND COUNTY**

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OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

Paint Township
Highland County
13255 US 50 W
Bainbridge, Ohio 45612

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Paint Township, Highland County, Ohio (the Township).

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, 2020 and 2019, 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 for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 to the 2020 financial statements and Note 10 to the 2019 financial statements, the financial impact of COVID-19 and the continuing emergency measures may 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 our report dated January 25, 2022, 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
January 25, 2022

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$100,542	\$117,604	\$0	\$218,146
Intergovernmental	33,928	396,620	0	430,548
Fines, Licenses and Permits	35,328	0	0	35,328
Earnings on Investments	0	18	0	18
Miscellaneous	11,563	0	0	11,563
<i>Total Cash Receipts</i>	<u>181,361</u>	<u>514,242</u>	<u>0</u>	<u>695,603</u>
Cash Disbursements				
Current:				
Public Works	24,550	216,154	0	240,704
Health	18,071	0	0	18,071
Public Safety	0	211,185	0	211,185
General Government	108,740	77	0	108,817
Debt Service:				
Principal Retirement	9,897	0	0	9,897
Interest and Fiscal Charges	2,154	0	0	2,154
<i>Total Cash Disbursements</i>	<u>163,412</u>	<u>427,416</u>	<u>0</u>	<u>590,828</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>17,949</u>	<u>86,826</u>	<u>0</u>	<u>104,775</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	0	1,280	0	1,280
<i>Total Other Financing Receipts (Disbursements)</i>	<u>0</u>	<u>1,280</u>	<u>0</u>	<u>1,280</u>
<i>Net Change in Fund Cash Balances</i>	17,949	88,106	0	106,055
<i>Fund Cash Balances, January 1</i>	<u>99,959</u>	<u>175,646</u>	<u>13,000</u>	<u>288,605</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$117,908</u></u>	<u><u>\$263,752</u></u>	<u><u>\$13,000</u></u>	<u><u>\$394,660</u></u>

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

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PAINT TOWNSHIP
HIGHLAND 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 Paint Township, Highland County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Paint Creek Joint Fire District for fire services.

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

The Township is part of the Highland County Joint Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Hospital Board of Trustees who appoint the Hospital Board of Governors, which is composed of one member from each township and three at-large members.

The Township participates in the Ohio Township Risk Management Authority (OTARMA), which is an insurance risk-sharing pool available to Ohio Townships. Note 8 provides additional information regarding 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 which are all 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.

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Coronavirus Relief Fund The coronavirus relief fund accounts for and reports the coronavirus relief grant fund receipts and disbursements.

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:

Beaver Cemetery Fund The Beaver Cemetery Fund accounts for and reports the Bequests of Maude Lewis and Helen Wood Matzke and any receipts and expenditures pertaining to the Beaver 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. Unencumbered appropriations lapse at year end.

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

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

A summary of 2020 budgetary activity appears in Note 4.

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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.

Capital Assets

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

Accumulated Leave

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

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

For regulatory purposes, limited disclosure related to fund balance is included in Note 11.

Note 3 – Equity in Pooled Cash

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	2020
Cash Management Pool:	
Demand deposits	\$375,860
Certificates of deposit	18,800
<i>Total carrying amount of deposits held in the Pool</i>	<u>\$394,660</u>

The Township does not use a separate payroll clearing account. The expenditures included in the accompanying financial statements reflect net payroll plus all remitted payroll withholdings.

Deposits

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

At December 31, 2020, \$117,445 of deposits were not insured or collateralized, contrary to Ohio law.

Note 4 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$141,929	\$181,361	\$39,432
Special Revenue	590,427	515,522	(74,905)
Permanent	13,000	0	(13,000)
Total	\$745,356	\$696,883	(\$48,473)

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$222,200	\$163,412	\$58,788
Special Revenue	458,017	427,416	30,601
Permanent	13,000	0	13,000
Total	\$693,217	\$590,828	\$102,389

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.

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

Note 6 – 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 health care 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.

Note 7 - 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 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020.

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 8 – Risk Management

The 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 (local entity’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>2020</u>	
Cash and investments	\$36,348,066
Actuarial liabilities	\$ 10,894,146

Note 9 – Debt

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

	Principal	Interest Rate
2017 John Deere Tractor	\$22,414	3.95%
2017 John Deere Mower	<u>21,322</u>	3.95%
Total	\$43,736	

The Township financed a 2017 John Deere Tractor and Mower to be used for Township use.

Amortization

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

Year Ending December 31:	2017 John Deere Mower	2017 John Deere Tractor
2021	5,875	\$6,175
2022	5,875	\$6,175
2023	5,875	\$6,176
2024	5,875	\$6,176
Total	<u>\$23,500</u>	<u>\$24,702</u>

PAINT TOWNSHIP
HIGHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

Note 10 - COVID- 19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received CARES Act funding. Of the amounts received, \$211,185 was sub-granted to other governments and organization.

Note 11 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

The fund balance of special revenue funds is either restricted or committed. In the general fund, outstanding encumbrances are considered assigned.

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**PAINT TOWNSHIP
HIGHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue	Permanent	Totals (Memorandum Only)
Cash Receipts				
Property and Other Local Taxes	\$78,390	\$109,546	\$0	\$187,936
Intergovernmental	46,779	159,821	0	206,600
Fines, Licenses and Permits	35,204	0	0	35,204
Miscellaneous	493	169	0	662
<i>Total Cash Receipts</i>	<u>160,866</u>	<u>269,536</u>	<u>0</u>	<u>430,402</u>
Cash Disbursements				
Current:				
Public Works	54,623	212,056	0	266,679
Health	955	1,146	0	2,101
General Government	87,313	241	0	87,554
Debt Service:				
Principal Retirement	10,587	9,521	0	20,108
Interest and Fiscal Charges	403	2,529	0	2,932
<i>Total Cash Disbursements</i>	<u>153,881</u>	<u>225,493</u>	<u>0</u>	<u>379,374</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>6,985</u>	<u>44,043</u>	<u>0</u>	<u>51,028</u>
Other Financing Receipts (Disbursements)				
Other Financing Sources	2,470	1,230	0	3,700
<i>Total Other Financing Receipts (Disbursements)</i>	<u>2,470</u>	<u>1,230</u>	<u>0</u>	<u>3,700</u>
<i>Net Change in Fund Cash Balances</i>	9,455	45,273	0	54,728
<i>Fund Cash Balances, January 1</i>	<u>90,504</u>	<u>130,373</u>	<u>13,000</u>	<u>233,877</u>
Fund Cash Balances, December 31				
Restricted	0	175,646	13,000	188,646
Assigned	80,271	0	0	80,271
Unassigned (Deficit)	19,688	0	0	19,688
<i>Fund Cash Balances, December 31</i>	<u>\$99,959</u>	<u>\$175,646</u>	<u>\$13,000</u>	<u>\$288,605</u>

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

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**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR END DECEMBER 31, 2019**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Paint Township, Highland County, Ohio (the Township), as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with the Paint Creek Joint Fire District for fire services.

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

The Township is part of the Highland County Joint Hospital District, a jointly governed organization established for the public purpose of better providing for the health and welfare of the people primarily of Highland County. Trustees from each of the 17 townships of Highland County constitute the Highland County Joint Hospital Board of Trustees who appoint the Hospital Board of Governors, which is composed of one member from each township and three at-large members.

The Township participates in the Ohio Township Risk Management Authority (OTARMA), which is an insurance risk-sharing pool available to Ohio Townships. Note 8 provides additional information regarding this entity.

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

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 which are all 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:

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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.

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:

Beaver Cemetery Fund The Beaver Cemetery Fund accounts for and reports the Bequests of Maude Lewis and Helen Wood Matzke and any receipts and expenditures pertaining to the Beaver Cemetery.

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR END DECEMBER 31, 2019**

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. Unencumbered 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 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 2019 budgetary activity appears in Note 4.

Deposits and Investments

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

Capital Assets

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

Accumulated Leave

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

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.

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR END DECEMBER 31, 2019**

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*.

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.

3. EQUITY IN POOLED CASH

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

	<u>2021</u>
Demand Deposits	\$ 269,805
CD	<u>18,800</u>
Total	<u>\$ 288,605</u>

Deposits

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

4. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2021:

2021 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$125,695	\$163,336	\$ 37,641
Special Revenue	240,000	270,766	30,766
Permanent	-	-	-
Total	\$ 365,695	\$ 434,102	\$ 68,407

2021 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 211,400	\$ 153,881	\$ 57,519
Special Revenue	356,500	225,493	131,007
Permanent	-	-	-
Total	\$ 567,900	\$ 379,374	\$ 188,526

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR END DECEMBER 31, 2019**

5. PROPERTY TAX

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 property owner elects to pay semiannually, the first half is due December 31. The second half payment is due to 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.

6. DEFINED BENEFIT PENSION PLANS

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 post retirement health care 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.

7. POST EMPLOYMENT 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 0 percent during calendar year 2019. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

8. RISK MANAGEMENT

The 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 (local entity'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>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$ 10,519,942

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

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR YEAR END DECEMBER 31, 2019**

the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

9. DEBT

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

	Principal	Interest Rate
2017 John Deere Tractor	\$27,486	3.95%
2017 John Deere Mower	<u>26,147</u>	3.95%
Total	<u>\$53,633</u>	

The Township financed a 2017 John Deere Tractor and Mower to be used for Township use.

Amortization

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

Year Ending December 31:	2017 John Deere Mower	2017 John Deere Tractor
2020	\$5,875	\$6,175
2021	5,875	\$6,175
2022	5,875	\$6,175
2023	5,875	\$6,176
2024	5,875	\$6,176
Total	<u>\$29,375</u>	<u>\$30,877</u>

10. COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. In addition, the impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

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OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
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(800) 282-0370

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

Paint Township
Highland County
13255 US 50W
Bainbridge, Ohio 45612

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the cash balances, receipts, and disbursements for each governmental fund type combined total as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Paint Township, Highland County, (the Township) and have issued our report thereon dated January 25, 2022, wherein we noted the Township followed financial reporting provisions Ohio Rev. Code § 117.38 and Ohio Admin. Code 117-2-03(D) permit. We also noted the financial impact of COVID-19 and the continuing emergency measures which may 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) as a basis for designing 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and a significant deficiency.

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 a 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. We consider findings 2020-001 and 2020-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2020-003 described in the accompanying schedule of findings to be a significant deficiency.

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 financial statements. 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 report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio
January 25, 2022

**PAINT TOWNSHIP
HIGHLAND COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2020 AND 2019**

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

Due to deficiencies in the Township's financial statement monitoring and review process, the Township made the following errors:

- 2019 Special Revenue Fund beginning balance was overstated and Permanent Fund beginning balance was understated by \$13,000. Two funds should have been classified as Permanent funds.
- 2019 General Fund Public Works Expenditures were overstated by \$10,990 and Principal and Interest was understated by \$10,587 and \$403, respectively.
- 2019 Unassigned Fund Balance in the General Fund was overstated and Assigned Fund Balance was understated by \$80,271.
- 2019 Gas Tax Fund Public Works Expenditures were overstated by \$12,050 and Principal and Interest was understated by \$9,521 and \$2,529, respectively.
- 2020 General Fund Other Financing Sources was overstated by \$10,474 and Miscellaneous Revenue was understated by \$10,249 and Intergovernmental Revenue was understated by \$225.
- 2020 Coronavirus Fund Miscellaneous Revenue was overstated and Intergovernmental Revenue was understated by \$211,167.
- 2020 General Fund Public Works Expenditures was overstated by \$12,051 and Principal and Interest was understated by \$9,897 and \$2,154, respectively.

The Township corrected the financial statements and accounting records, where appropriate.

The Township made additional errors in classifying receipt and disbursement transaction line items in various funds in the Statement of Receipts, Disbursements, and Changes in Fund Balances in amounts ranging from \$200 to \$3,874 in 2019 and ranging from \$2,958 to \$8,049 in 2020. The Township did not correct the financial statements for these errors other than a \$6,953 error in the General Fund in 2020.

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 which effect the overall available cash positions of the Township.

The Township should review and implement internal controls to ensure financial transactions are accurately recorded.

Officials' Response:

The Township officials did not respond to this finding.

FINDING NUMBER 2020-002

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.

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 District and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

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

Approved appropriations varied from those the Township posted to the accounting system as follows:

2020			
Fund	Certified Appropriations	Appropriations Posted to Accounting System	Variance
Special Revenue	\$458,017	\$596,034	\$138,017
Permanent	\$13,000	\$0	(\$13,000)

2019			
Fund	Certified Appropriations	Appropriations Posted to Accounting System	Variance
Special Revenue	\$356,500	\$360,300	\$3,800

Approved estimated receipts varied from those the Township posted to the accounting system as follows:

2020			
Fund	Approved Estimated Receipts	Estimated Receipts Posted to Accounting System	Variance
General	\$141,929	\$0	(\$141,929)
Special Revenue	\$590,427	\$0	(\$590,427)
Permanent	\$13,000	\$0	(\$13,000)

**FINDING NUMBER 2020-002
 (Continued)**

2019			
Fund	Approved Estimated Receipts	Estimated Receipts Posted to Accounting System	Variance
General	\$125,695	\$125,395	(\$300)
Special Revenue	\$240,000	\$240,200	(\$200)

Actual receipts varied from those the Township posted to the budgetary footnote as follows:

2020			
Fund	Actual Receipts	Actual Receipts Posted to Footnote	Variance
General	\$181,361	\$0	(\$181,361)
Special Revenue	\$515,522	\$0	(\$515,522)

Actual expenditures varied from those the Township posted to the budgetary footnote as follows:

2020			
Fund	Actual Expenditures	Actual Expenditures Posted to Footnote	Variance
General	\$163,412	\$170,305	\$6,893
Special Revenue	\$427,416	\$432,318	\$4,902

2019			
Fund	Actual Expenditures	Actual Expenditures Posted to Footnote	Variance
General	\$153,881	\$157,336	\$3,455
Special Revenue	\$225,493	\$230,331	\$4,838

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 the Board were not properly posted to the footnotes. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not posted to the accounting system correctly.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances.

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should 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:

The Township officials did not respond to this finding.

FINDING NUMBER 2020-003

Significant Deficiency

Maintaining organized documentation and support for financial transactions is essential in assuring the Township's financial statements are not materially misstated and that accountability is maintained for all receipts coming into the Township.

The Township did not maintain underlying documentation and support for the following:

- In 2020 the Township did not have support totaling \$1,142 of receipts from funeral homes, selling tires, and refunds.
- In 2019 the Township did not have support for two receipts of license, permits, and fees for franchise fees totaling \$17,140.

All receipts should be supported by adequate documentation to show the amount received was properly accounted for and deposited by the Township. Failure to maintain underlying documentation and support of financial transactions can increase the risk of fraud, result in financial statement misstatements, and result in receipts that are not properly accounted for. Not maintaining evidence of all receipts being properly deposited and posted could result in findings for recover being issued.

We were able to perform alternative engagement procedures to gain the necessary engagement assurances to determine that transactions with no supporting documentation were deposited and accounted for in the Township's accounting system.

The Township should develop policies and procedures outlining the security of all records or take a written inventory of all records noting the records description and location. All records should be maintained orderly in a secure central location, such as locked file cabinets or in a locked office, with access limited to specific officials and/or personnel. Disposal of records should only be made in accordance with an approved records retention schedule.

Officials' Response:

The Township officials did not respond to this finding.

OHIO AUDITOR OF STATE KEITH FABER



PAINT TOWNSHIP

HIGHLAND 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 2/10/2022

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