



***PAXTON TOWNSHIP
ROSS COUNTY***

Regular Audit

**For the Years Ended
December 31, 2022 and 2021**

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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(800) 282-0370

Board of Trustees
Paxton Township
5837 Jester Hill Road
Bainbridge, OH 45612

We have reviewed the *Independent Auditor's Report* of the Paxton Township, Ross County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2021 through December 31, 2022. 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. The Paxton Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2023

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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 Audit of the Financial Statements

Unmodified and Adverse Opinions

We have audited the financial statements of the Paxton Township, Ross County, Ohio (the Township), which comprises the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, in accordance with the financial reporting provisions which Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit, described in Note 2.

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* section of our report, the accompanying financial statements 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, 2022 and 2021, or the changes in financial position thereof for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Township, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 of the financial statements, the financial statements are prepared by Township on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Board of Trustees
Paxton Township, Ross County
Independent Auditor's Report

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Township's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Emphasis of Matter

As discussed in Note 11 to the financial statements, for 2022 and 2021, 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 our report dated July 17, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Township's 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

July 17, 2023

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, 2022

	<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	\$63,614	\$126,743	\$0	\$190,357
Intergovernmental	42,312	232,582	0	274,894
Charges for Service	0	66,232	0	66,232
Fines, Licenses, and Permits	0	18,406	0	18,406
Earnings on Investments	616	0	0	616
Miscellaneous	3,321	17,726	0	21,047
Total Cash Receipts	109,863	461,689	0	571,552
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	79,862	110,458	0	190,320
Public Safety	1,560	81,155	0	82,715
Public Works	444	152,538	0	152,982
Health	0	16,226	0	16,226
Capital Outlay	0	5,745	0	5,745
<i>Debt Service:</i>				
Principal	0	13,788	0	13,788
Interest	0	936	0	936
Total Cash Disbursements	81,866	380,846	0	462,712
Cash Receipts Over/(Under) Cash Disbursements	27,997	80,843	0	108,840
<u>Other Financing Receipts (Disbursements)</u>				
Other Financing Sources	0	4,644	0	4,644
Total Other Financing Receipts (Disbursements)	0	4,644	0	4,644
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements	27,997	85,487	0	113,484
Net Change in Fund Cash Balance	27,997	85,487	0	113,484
Fund Cash Balances, January 1	41,324	200,511	53	241,888
Fund Cash Balances, December 31	\$69,321	\$285,998	\$53	\$355,372

See accompanying notes to the financial statements.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2022

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, 2022

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 re appropriated in the subsequent year.

A summary of 2022 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, 2022

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, 2022

Note 3 — Budgetary Activity

Budgetary activity for the year ending 2022 as follows:

2022 Budgeted vs Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$95,567	\$109,863	(\$14,296)
Special Revenue	497,623	466,333	31,290
Total	<u>\$593,190</u>	<u>\$576,196</u>	<u>\$16,994</u>

2022 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$117,489	\$81,866	\$35,623
Special Revenue	546,236	380,846	165,390
Total	<u>\$663,725</u>	<u>\$462,712</u>	<u>\$201,013</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>2022</u>
Total Demand Deposits	<u>\$355,372</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, 2022

Note 6 — Risk Management

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2020, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2021.

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, 2021 and 2020 (the latest information available).

	<u>2021</u>	<u>2020</u>
Assets	\$21,777,439	\$18,826,974
Liabilities	<u>(15,037,383)</u>	<u>(13,530,267)</u>
Members Equity	<u>\$6,740,056</u>	<u>\$5,296,707</u>

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, 2022

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, 2022.

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, 2022.

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 2022.

Note 9 – Debt

Debt outstanding at December 31, 2022, was as follows:

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, 2022 was as follows:

Kansa State Bank - Backhoe	
<u>Principal</u>	<u>Interest Rate</u>
\$14,248	3.170%

Amortization Schedule for Back Hoe

2023	\$14,723.93
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Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2022

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 of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Township received COVID-19 funding. 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 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, 2021

	Governmental Fund Types			Totals
	General	Special Revenue	Permanent	
<u>Cash Receipts:</u>				
Property and Local Taxes	\$64,454	\$124,169	\$0	\$188,623
Intergovernmental	38,208	254,992	0	293,200
Charges for Service	0	82,507	0	82,507
Fines, Licenses, and Permits	0	18,382	0	18,382
Earnings on Investments	246	0	0	246
Miscellaneous	6,670	27,504	0	34,174
Total Cash Receipts	109,578	507,554	0	617,132
<u>Cash Disbursements:</u>				
<i>Current:</i>				
General Government	84,249	177,444	0	261,693
Public Safety	22,490	73,990	0	96,480
Public Works	21,832	158,361	0	180,193
Health	0	26,691	0	26,691
Capital Outlay	0	6,471	0	6,471
<i>Debt Service:</i>				0
Principal	0	31,385	0	31,385
Interest	0	1,974	0	1,974
Total Cash Disbursements	128,571	476,316	0	604,887
Cash Receipts Over/(Under) Cash Disbursements	(18,993)	31,238	0	12,245
Fund Cash Balances, January 1 (As Restated, See Note 12)	60,317	169,273	53	229,643
Fund Cash Balances, December 31	\$41,324	\$200,511	\$53	\$241,888

See accompanying notes to the financial statements.

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2021

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, 2021

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 2021 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, 2021

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, 2021

Note 3 — Budgetary Activity

Budgetary activity for the year ending 2021 as follows:

2021 Budgeted vs Actual Receipts

Fund Type	<u>Budgeted Receipts</u>	<u>Actual Receipts</u>	<u>Variance</u>
General	\$91,165	\$109,578	\$18,413
Special Revenue	505,368	507,554	2,186
Total	<u>\$596,533</u>	<u>\$617,132</u>	<u>\$20,599</u>

2021 Budgeted vs Actual Budgetary Basis Expenditures

Fund Type	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Variance</u>
General	\$168,289	\$128,571	\$39,718
Special Revenue	631,444	476,316	155,128
Total	<u>\$799,733</u>	<u>\$604,887</u>	<u>\$194,846</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>2021</u>
Total Demand Deposits	<u>\$241,888</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, 2021

Note 6 — Risk Management

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

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

OPRM coverage programs are developed specific to each member’s risk management needs and the related premiums for coverage are determined through the application of uniform underwriting criteria addressing the member’s exposure to loss. Until November 1, 2016, the OPRM retained 47% of the premium and losses on the first \$250,000 casualty treaty and 10% of the first \$1,000,000 property treaty. Effective November 1, 2020, the OPRM retained 50% of the premium and losses on the first \$250,000 casualty treaty and 30% of the first \$1,000,000 property treaty. Members are only responsible for their self-retention (deductible) amounts, which vary from member to member. OPRM had 762 members as of December 31, 2021.

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, 2021 and 2020 (the latest information available).

	2021	2020
Assets	\$21,777,439	\$18,826,974
Liabilities	(15,037,383)	(13,530,267)
Members Equity	\$6,740,056	\$5,296,707

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, 2021

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, 2021.

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, 2021.

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 2021.

Note 9 – Debt

Debt outstanding at December 31, 2021, was as follows:

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 2021.

Debt Outstanding at December 31, 2021 was as follows:

Kansa State Bank - Backhoe	
<u>Principal</u>	<u>Interest Rate</u>
\$28,036	3.170%

Amortization Schedule for Back Hoe

2022	\$14,724
2023	\$14,724

Paxton Township Ross County
Notes to the Financial Statements
For the year ended December 31, 2021

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 of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During 2022, the Township received COVID-19 funding. 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 funding, either federal or state, cannot be estimated.

Note 12 – Prior Period Adjustment

In 2021, the Township had voided previously issued checks. This resulted in a restatement of the prior period cash balance.

	<u>Special Revenue</u>
Fune Balance at December 31, 2020	\$161,105
Understatement of Cash and Cash Equivalents	<u>8,168</u>
Adjusted Fund Balance at December 31, 2020	<u><u>\$169,273</u></u>

**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, 2022 and 2021, and the related notes to the financial statements and have issued our report thereon dated July 17, 2023, 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 a certain deficiency in internal control that we consider to be a material weakness. We consider finding 2022-001 to be a material weakness.

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

July 17, 2023

PAXTON TOWNSHIP, ROSS COUNTY
Schedule of Findings
For the Years Ended December 31, 2022 and 2021

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

Finding Number 2022-001

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 2022 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$5,127 in the General fund.
- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$12,127 in the Special Revenue funds.
- Principal was understated by \$10,788, Interest was overstated by \$564, Health was overstated by \$500, Public Works was overstated by \$8,724 and Public Safety was overstated by \$1,000 in Special Revenue Funds.

The following conditions related to the Township's accounting system in 2021 caused by deficiencies in the Township's monitoring and review process were identified:

- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$5,682 in the General fund.
- Property Tax Receipts were overstated and Intergovernmental Receipts were understated by \$12,172 in the Special Revenue funds.
- Other revenue was overstated and Intergovernmental Revenue was understated by \$1,787 in the Special Revenue Funds.
- Principal was understated by \$13,726, Interest was overstated by \$2,526, Public Works was overstated by \$8,724 and Public Safety was overstated by \$2,476 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.

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, 2022

Finding Number	Description	Status	Comments
2020-001	The Township lacked controls to ensure that certain transactions were posted accurately.	Not Corrected	Reissued as finding 2022-001
2020-002	The Township did not accurately post appropriations and estimated resources to the accounting system ledgers.	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 9/12/2023

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