



**ORANGE TOWNSHIP
ASHLAND COUNTY
Regular Audit
For the Years Ended December 31, 2018 and 2017**

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
Cambridge, OH 43725
740 435 3417

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Columbus, Ohio 43215
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Board of Trustees
Orange Township
1008 Twp Rd 876
Ashland, Ohio 44848

We have reviewed the *Independent Auditor's Report* of Orange Township, Ashland County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2017 through December 31, 2018. 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. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

Payroll Overpayment - Finding for Recovery – Resolved Under Audit

Ohio Rev. Code § 507.09(A) indicates in calendar year 2017, the township fiscal officer shall be entitled to compensation as follows: **(4)** In townships having a budget of more than five hundred thousand but not more than seven hundred fifty thousand dollars, fifteen thousand five hundred ninety-seven dollars.

Ohio Rev. Code § 505.24(A) indicates in calendar year 2017, each township trustee is entitled to compensation in an amount for each day of service in the business of the township, to be paid from the township treasury as follows: **(4)** In townships having a budget of more than five hundred thousand but not more than seven hundred fifty thousand dollars, forty-nine dollars and sixty-three cents per day for not more than two hundred days for Trustees that are elected after September 29, 2015, and forty-five dollars and two cents for Trustees elected prior to September 29, 2015.

The Township’s Official Certificate of Estimated Resources dated July 26, 2016 for the year beginning January 1, 2017 totaled \$729,208. However, the Fiscal Officer and Trustees were paid based on a budget ranging from \$750,000 to \$1,500,000. During 2018, the budget increased to \$785,538 so the Fiscal Officer and Trustees were paid based on the correct budget. However, the Trustees were paid at the 2008 rate even though they were eligible for the 2017 rate (latest rate available) since all of their terms had started after September 29, 2015. In addition, the Fiscal Officer was underpaid in 2018. As a result, these underpayments in 2018 offset some of the 2017 overpayments. The chart below shows the overpayments for the Fiscal Officer and Trustees:

	2017 ORC Allowable Amount	2017 Actual Amount Paid	Overpayment	2018 Underpayment	Total Overpayment
Betsie Krumlaw, Fiscal Officer	\$15,597	\$18,335	\$2,738	\$382	\$2,356
Brian Canfield, Trustee**	9,926	10,287	361	1,054	(693)
Jim Elson, Trustee	9,004	10,287	1,283	1,054	229
George Parks, Trustee	9,004	10,287	1,283	1,054	229

** Trustee Canfield started his term on January 1, 2016, and therefore, he was eligible for the 2017 rate of pay, while the other two trustees were to be paid at the 2008 rate.

In accordance with the foregoing facts and pursuant to **Ohio Rev. Code § 117.28**, a Finding for Recovery for public monies illegally expended is hereby issued against Fiscal Officer Betsie Krumlaw, and her bonding company, Travelers Casualty and Surety Company of America, in the amount of \$2,356, and in favor of the Township’s General Fund; Trustee Jim Elson, and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$229, and in favor of the Township’s General Fund; and Trustee George Parks, and his bonding company, Ohio Township Association Risk Management Authority, in the amount of \$229, and in favor of the Township’s General Fund.

To resolve this finding, Betsie Krumlaw entered into a repayment agreement with the Township in which she agreed to make fifteen scheduled payments of \$157.07 via payroll deduction, starting in October 2019, with the final deduction to be made by December 31, 2020, for a total payment of \$2,356. Jim Elson and George Parks entered into repayment agreements with the Township in which they each agreed to make three scheduled payments of \$76.34 via payroll deduction, starting in October 2019, with the final deductions to be made by December 31, 2019, for a total payment of \$229 from each of them.

Board of Trustees
Orange Township
1008 Twp Rd 876
Ashland, Ohio 44848
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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. Orange Township is responsible for compliance with these laws and regulations.



Keith Faber
Auditor of State
Columbus, Ohio

November 15, 2019

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ORANGE TOWNSHIP
ASHLAND COUNTY

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740 435 3417

INDEPENDENT AUDITOR'S REPORT

September 30, 2019

Orange Township
Ashland County
1008 Twp Road 876
Ashland, OH 44805

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of **Orange Township**, Ashland County, (the Township) as of and for the years ended December 31, 2018 and 2017.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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

As described in Note 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America (GAAP), to satisfy these requirements.

Although the effects on the financial statements of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2018 and 2017, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of Orange Township, Ashland County as of December 31, 2018 and 2017, for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.



Perry & Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 93,891	\$ 267,674	\$ 361,565
Licenses, Permits and Fees	3,750	7,578	11,328
Intergovernmental	42,892	145,073	187,965
Earnings on Investments	820	739	1,559
Miscellaneous	9,474	4,600	14,074
<i>Total Cash Receipts</i>	<u>150,827</u>	<u>425,664</u>	<u>576,491</u>
Cash Disbursements			
Current:			
General Government	94,582	48,852	143,434
Public Safety	-	98,979	98,979
Public Works	86,245	216,311	302,556
Health	773	8,061	8,834
Capital Outlay	16,073	-	16,073
<i>Total Cash Disbursements</i>	<u>197,673</u>	<u>372,203</u>	<u>569,876</u>
<i>Net Change in Fund Cash Balances</i>	(46,846)	53,461	6,615
<i>Fund Cash Balances, January 1</i>	<u>176,117</u>	<u>505,422</u>	<u>681,539</u>
Fund Cash Balances, December 31			
Restricted	-	558,883	558,883
Assigned	129,271	-	129,271
<i>Fund Cash Balances, December 31</i>	<u>\$ 129,271</u>	<u>\$ 558,883</u>	<u>\$ 688,154</u>

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

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Ashland 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, cemetery maintenance, and zoning services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

OTARMA – 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 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.

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:

Gasoline Tax Fund This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

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

Fire Levy Fund This fund receives county levied tax money for providing the Township with fire protection.

Ambulance and EMS Fund This fund receives county levied tax money to pay for ambulance and EMS services for the Township.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Note 2 - Summary of Significant Accounting Policies (Continued)

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 carried over, and need not be reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 3.

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.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

Budgetary activity for the years ending December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 137,680	\$ 150,827	\$ 13,147
Special Revenue	406,404	425,664	19,260
Total	\$ 544,084	\$ 576,491	\$ 32,407

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Note 3 – Budgetary Activity (Continued)

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 279,722	\$ 201,544	\$ 78,178
Special Revenue	427,454	386,687	40,767
Total	<u>\$ 707,176</u>	<u>\$ 588,231</u>	<u>\$ 118,945</u>

Note 4 – Deposits and Investments

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

	2018
Demand Deposits	\$577,503
Certificates of Deposit	30,051
Total Deposits	<u>607,554</u>
Star Ohio	80,600
Total Investments	<u>80,600</u>
Total Deposits and Investments	<u><u>\$688,154</u></u>

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

Investments

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

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.

Note 6 – Risk Management

Risk Pool Membership

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 Township's policy. The pool covers the following risks:

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018
(CONTINUED)**

Note 6 – Risk Management (Continued)

- 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:

	2018
Assets	\$33,097,416
Liabilities	7,874,610
Net Position	\$25,222,806

2018 Contributions to OTARMA

\$5,201

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township employees and the elected officials 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. For 2018, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Note 8 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. 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 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$ 112,900	\$ 302,648	\$ 415,548
Licenses, Permits and Fees	4,850	7,019	11,869
Intergovernmental	44,757	140,682	185,439
Earnings on Investments	419	422	841
Miscellaneous	3,181	10,099	13,280
<i>Total Cash Receipts</i>	<u>166,107</u>	<u>460,870</u>	<u>626,977</u>
Cash Disbursements			
Current:			
General Government	95,528	1,915	97,443
Public Safety	-	92,025	92,025
Public Works	91,621	174,445	266,066
Health	683	7,879	8,562
Conservation-Recreation	475	-	475
Capital Outlay	1,275	-	1,275
<i>Total Cash Disbursements</i>	<u>189,582</u>	<u>276,264</u>	<u>465,846</u>
<i>Net Change in Fund Cash Balances</i>	(23,475)	184,606	161,131
<i>Fund Cash Balances, January 1</i>	<u>199,592</u>	<u>320,816</u>	<u>520,408</u>
Fund Cash Balances, December 31			
Restricted	-	505,422	505,422
Assigned	142,046	-	142,046
Unassigned	34,071	-	34,071
<i>Fund Cash Balances, December 31</i>	<u>\$ 176,117</u>	<u>\$ 505,422</u>	<u>\$ 681,539</u>

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

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Ashland 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, cemetery maintenance, and zoning services.

Public Entity Risk Pools

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool

OTARMA – 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 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.

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:

Gasoline Tax Fund This fund receives gasoline tax money for constructing, maintaining, and repairing Township roads.

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

Fire Levy Fund This fund receives county levied tax money for providing the Township with fire protection.

Ambulance and EMS Fund This fund receives county levied tax money to pay for ambulance and EMS services for the Township.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Motor Vehicle License Fund The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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 carried over, and need not be reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 3.

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.

**ORANGE TOWNSHIP
ASHALND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 2 - Summary of Significant Accounting Policies (Continued)

Fund Balance

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

Nonspendable The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

Restricted Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

Committed Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Note 3 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 131,470	\$ 166,107	\$ 34,637
Special Revenue	356,047	460,870	104,823
Total	\$ 487,517	\$ 626,977	\$ 139,460

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 3 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 271,177	\$ 193,434	\$ 77,743
Special Revenue	409,179	291,668	117,511
Total	\$ 680,356	\$ 485,102	\$ 195,254

Note 4 – Deposits and Investments

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

	2017
Demand Deposits	\$572,447
Certificate of Deposit	30,048
Total Deposits	602,495
Star Ohio	79,044
Total Investments	79,044
Total Deposits and Investments	\$681,539

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

Investments

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

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.

Note 6 – Risk Management

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

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

**ORANGE TOWNSHIP
ASHALND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 6 – Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2017.

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

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township's share of these unpaid claims collectible in future years is approximately \$2,000.

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

<u>2017 Contributions to OTARMA</u>
\$5,130

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)**

Note 6 – Risk Management (Continued)

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

Note 7 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

The Township employees and the elected officials 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. For 2017, OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14%, of participants' gross salaries. The Township has paid all contributions required through December 31, 2017.

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 1.0 percent during calendar year 2017.

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Certified Public Accountants, A.C.

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

September 30, 2019

Orange Township
Ashland County
1008 Twp Road 876
Ashland, OH 44805

To the Township 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 **Orange Township**, Ashland County (the Township) as of and for the years ended December 31, 2018 and 2017, and the related notes to the financial statements and have issued our report thereon dated September 30, 2019, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our 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 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of audit findings that we consider material weaknesses. We consider findings 2018-001 and 2018-004 to be material weaknesses.

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Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matter we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2018-002 and 2018-003.

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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

ORANGE TOWNSHIP
ASHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

FINDING NUMBER 2018-001

Material Weakness

Posting Receipts and Classification of Fund Balances

The Township should have procedures and controls in place to help prevent and detect errors in financial reporting. During 2018 and 2017, several receipts were not posted into the accurate receipt classifications based on the source of the receipt. Fund balances should be properly classified based on Governmental Accounting Standards Board (GASB) Statement No. 54: *Fund Balance Reporting and Governmental Fund Type Definitions*.

The following posting errors were noted:

- Homestead rollback receipts received from the State were posted to Property and Other Local Taxes instead of Intergovernmental in 2018 and 2017;
- Budgeted carryover amounts in the General Fund were classified as Unassigned instead of Assigned fund balance in 2018 and 2017.

Not posting receipts accurately or classifying fund balances accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all receipts and fund balances are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to the Auditor of State Technical Bulletin 2011-004 for guidance to determine the proper fund balance classifications and the Township Handbook for proper classification of receipts.

Management's Response – We did not receive a response from officials to this finding.

ORANGE TOWNSHIP
ASHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(CONTINUED)

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

FINDING NUMBER 2018-002

Noncompliance

Ohio Rev. Code § 505.24(A) and (B) set forth the maximum amounts of compensation for Township Trustees based on a Township's annual budget amount.

The Township's annual budget for 2017 fell between \$500,001-750,000. Based on this budget amount, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$9,926 for Trustees elected after September 29, 2015 and \$9,004 for Trustees elected before September 29, 2015. The Township, however, did not pay the Trustees in accordance with Ohio Rev. Code. Trustees were each paid \$10,288 in 2017. As a result, two Trustees were over-compensated by \$1,284 in 2017.

The Township's annual budget for 2018 fell between \$750,001-1,000,000. Based on this budget amount, Ohio Rev. Code § 505.24(A) and (B) limit the annual salary of the Trustees to \$11,342. The Township, however, did not pay the Trustees in accordance with Ohio Rev. Code. Trustees were each paid \$10,288 in 2018. As a result, each Trustee was under-compensated by \$1,054 in 2018. As a result, two Trustees were overpaid for the period January 1, 2017 through December 31, 2018 by \$230.

We recommend the Township review Ohio Rev. Code related to Trustee compensation and ensure the most current and accurate budget and compensation chart are being used.

Management's Response – We did not receive a response from officials to this finding.

ORANGE TOWNSHIP
ASHLAND COUNTY

SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(CONTINUED)

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

FINDING NUMBER 2018-003

Noncompliance

Ohio Rev. Code § 507.09(A) and (D) set the maximum amounts of compensation for a township Fiscal Officer based on a township's annual budget amount.

During 2017, the Township's annual budget fell between \$500,001-750,000. Based on this budget amount, Ohio Rev. Code § 507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$15,597. The Township, however, did not pay the Fiscal Officer in accordance with Ohio Revised Code. During 2017, Fiscal Officer Betsie Krumlaw was paid \$18,335.16. As a result, the Fiscal Officer was over-compensated by \$2,738 in 2017.

The Township's annual budget for 2018 fell between \$750,001-1,500,000. Based on these budget amounts, Ohio Rev. Code § 507.09(A) and (D) limit the annual salary of the Fiscal Officer to \$18,717. The Township, however, did not pay the Fiscal Officer in accordance with Ohio Rev. Code. The Fiscal Officer was paid \$18,335 in 2018. As a result, the Fiscal Officer was undercompensated by \$382 in 2018. As a result, the Fiscal Officer was overpaid for the period January 1, 2012 through December 31, 2013 by \$2,356.

We recommend the Township review Ohio Rev. Code related to Fiscal Officer compensation and ensure the most current and accurate budget and compensation chart are being used.

Management's Response – We did not receive a response from officials to this finding.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**SCHEDULE OF AUDIT FINDINGS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(CONTINUED)**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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FINDING NUMBER 2018-004

Material Weakness

Bank Reconciliations

The Fiscal Officer prepares monthly bank reconciliations to reconcile the Township's Uniform Accounting Network (UAN) financial accounting system to the bank account.

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances for the audit period. Monthly bank reconciliations contained "other adjusting factors" throughout the entire audit period which were carried forward instead of being investigated and corrected. The lack of proper reconciliations among the bank statements, cashbook and ledgers resulted in numerous errors which remained undetected and/or uncorrected until the audit.

The reconciling items each month could not be substantiated to any audit evidence; therefore, we performed a proof-of-cash analysis for the audit period. As of December 31, 2018, the Township had "Other Adjusting Factors" of \$4,611. During the proof-of-cash analysis for 2018 and 2017, we were able to identify posting errors, such as receipts and expenditures that cleared the bank but were not posted to the accounting system. The financial statements reflect these adjustments and they have been posted to the Township's accounting system.

The table below reflects proof-of-cash adjustments required each year to allow the Township's accounting system to reconcile to the bank:

Fund	12/31/2018 Balance	2017 Adjustments	2018 Adjustments	Adjusted 12/31/2018 Balance
General	\$134,232	(\$2,300)	(\$2,661)	\$129,271
Special Revenue:				
M.V.L Tax	36,660	0	0	36,660
Gasoline Tax	102,449	0	0	102,449
Road and Bridge	83,271	0	0	83,271
Cemetery	40,746	0	350	41,096
Cemetery II	4,119	0	0	4,119
Ambulance and EMS	36,086	0	0	36,086
Fire	255,202	0	0	255,202

The Township, as part of the monthly cash reconciliation process, should investigate the unidentified reconciling items timely and make the necessary adjustments to the books. Also, the monthly bank reconciliation should be approved by a Board Member at each monthly meeting.

Management's Response: We did not receive a response from officials to this finding.

OHIO AUDITOR OF STATE KEITH FABER



ORANGE TOWNSHIP

ASHLAND COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 3, 2019**