



Certified Public Accountants, A.C.

**ORANGE TOWNSHIP
Delaware County
Regular Audit
For the Years Ended December 31, 2017 and 2016**

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

www.perrycpas.com



Dave Yost • Auditor of State

Board of Trustees
Orange Township
1680 East Orange Road
Lewis Center, Ohio 43035

We have reviewed the *Independent Auditor's Report* of Orange Township, Delaware County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2016 through December 31, 2017. 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. Orange Township is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 19, 2018

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ORANGE TOWNSHIP
DELAWARE COUNTY

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INDEPENDENT AUDITOR'S REPORT

October 31, 2018

Orange Township, Delaware County
1680 East Orange Road
Lewis Center, Ohio 43035

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**, Delaware County, (the Township) as of and for the years ended December 31, 2017 and 2016.

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 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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Tax – Accounting – Audit – Review – Compilation – Agreed Upon Procedures – Consultation – Bookkeeping – Payroll – Litigation Support – Financial Investigations
Members: American Institute of Certified Public Accountants

*Ohio Society of CPAs * West Virginia Society of CPAs * Association of Certified Fraud Examiners * Association of Certified Anti-Money Laundering Specialists*

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

As described in Note 1B 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, 2017 and 2016, or 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, Delaware County as of December 31, 2017 and 2016, and for 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 1B.

Emphasis of Matter

The January 1, 2016 beginning General Fund and Special Revenue Fund balances were restated as a result of a prior period adjustment. The January 1, 2017 beginning Special Revenue and Capital Projects Fund balances were restated as a result of a prior period adjustment. See further information in the Notes to the Financial Statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, 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
DELAWARE 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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 2,300,504	\$ 8,711,366	\$ -	\$ -	\$ 11,011,870
Charges for Services	3,370	374,184	-	-	377,554
Licenses, Permits and Fees	195,647	31,400	-	-	227,047
Intergovernmental	309,542	1,475,755	613,708	-	2,399,005
Earnings on Investments	167,739	19,726	2	12	187,479
Miscellaneous	79,070	114,729	-	-	193,799
<i>Total Cash Receipts</i>	<u>3,055,872</u>	<u>10,727,160</u>	<u>613,710</u>	<u>12</u>	<u>14,396,754</u>
Cash Disbursements					
Current:					
General Government	1,645,320	-	-	-	1,645,320
Public Safety	-	6,922,426	-	-	6,922,426
Public Works	434,816	408,782	-	-	843,598
Health	-	69,406	-	-	69,406
Conservation-Recreation	-	918,374	-	-	918,374
Capital Outlay	180,620	3,982,643	2,815,467	-	6,978,730
<i>Total Cash Disbursements</i>	<u>2,260,756</u>	<u>12,301,631</u>	<u>2,815,467</u>	<u>-</u>	<u>17,377,854</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>795,116</u>	<u>(1,574,471)</u>	<u>(2,201,757)</u>	<u>12</u>	<u>(2,981,100)</u>
Other Financing Receipts (Disbursements)					
Transfers In	-	28,500	1,221,923	-	1,250,423
Transfers Out	(1,250,423)	-	-	-	(1,250,423)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,250,423)</u>	<u>28,500</u>	<u>1,221,923</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	<u>(455,307)</u>	<u>(1,545,971)</u>	<u>(979,834)</u>	<u>12</u>	<u>(2,981,100)</u>
<i>Fund Cash Balances, January 1 - Restated (See Note 10)</i>	<u>2,971,282</u>	<u>10,748,715</u>	<u>7,564,121</u>	<u>3,698</u>	<u>21,287,816</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,710	3,710
Restricted	-	9,202,744	107,651	-	9,310,395
Committed	-	-	6,476,636	-	6,476,636
Assigned	621,782	-	-	-	621,782
Unassigned	1,894,193	-	-	-	1,894,193
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,515,975</u>	<u>\$ 9,202,744</u>	<u>\$ 6,584,287</u>	<u>\$ 3,710</u>	<u>\$ 18,306,716</u>

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

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Delaware 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, conservation and recreation services, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Delaware County Sheriff's department to provide security of persons and property.

The Township participates in a public entity risk pool. Note 8 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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

B. 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.

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 Township 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.

C. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 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:

Special Fire Levy Fund - This fund receives property taxes for providing fire and emergency medical services to the Township.

Parks & Recreation Fund - This fund receives property taxes that are used for providing park and recreation services.

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Funds:

Orange Road/US 23 Intersection Improvements – This fund is used to accumulate resources to complete improvement to the intersection of Orange Road and US-23.

GM/H Roundabout Improvements – This fund is used to accumulate resources to complete improvement to a roundabout.

East Orange Road #1 Improvements – This fund is used to accumulate resources to complete improvement to East Orange Road.

East Orange Road #2 Improvements – This fund is used to accumulate resources to complete improvement to East Orange Road.

West Orange Road Improvements – This fund is used to accumulate resources to complete improvement to West Orange Road.

Bale – Kenyon Road Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #1.

Bale – Kenyon Road #2 Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #2.

Bale – Kenyon Road #3 Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #3.

North Road Improvements – This fund is used to accumulate resources to complete improvement to North Road.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 Bequest Fund – This fund receives interest earned on the nonexpendable corpus. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

D. Budgetary Process

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

1. 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.

2. 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.

3. 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.

A summary of budgetary activity appears in Note 3.

E. Deposits and Investments

The Township's accounting 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.

The Township values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

ORANGE TOWNSHIP
DELAWARE COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Accumulated Leave

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

H. 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:

- 1. Nonspendable** - The Township classified assets as *nonspendable* when legally or contractually required to maintain the amounts intact.
- 2. 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.
- 3. 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.
- 4. Assigned** - Assigned funds 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* amount represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.
- 5. 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.

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

2. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Cemetery fund by \$20,207, in the Permanent Improvement Orange/US 23 fund by \$94,473 and in the Permanent Improvement Bale Kennon fund by \$534,136 for the year ended December 31, 2017.

3. BUDGETARY ACTIVITY

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,152,082	\$3,055,872	\$96,210
Special Revenue	11,501,874	10,755,660	\$746,214
Capital Projects	1,466,923	1,835,633	\$(368,710)
Permanent	-	12	\$(12)
Total	\$16,120,879	\$15,647,177	\$473,702

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,664,761	\$3,669,970	\$994,791
Special Revenue	17,824,089	13,614,312	4,209,777
Capital Projects	4,890,467	3,919,076	971,391
Total	\$27,379,317	\$21,203,358	\$6,175,959

4. DEPOSITS AND INVESTMENTS

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

	2017
Demand Deposits	\$2,399,616
Certificates of Deposit	3,193
Money Market	52,482
Other Time Deposits (Savings and NOW Accounts)	10,226
Total Deposits	2,465,517
U.S. Treasury Notes	6,160,667
Municipal Bonds	2,010,932
STAR Ohio	7,669,600
Total Investments	15,841,199
Total Deposits and Investments	\$18,306,716

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

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

4. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

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

5. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

6. DEFINED BENEFIT PENSION PLANS AND POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Some 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, 2017.

Ohio Police and Fire Retirement System

Some Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2017.

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

7. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer 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. OP&F contributes 0.5 percent to fund these benefits.

8. RISK MANAGEMENT

Risk Pool Membership

The Government 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.

Effective November 1, 2017, the OPRM retained 47% 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 764 members as of December 31, 2017.

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 amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31.

	<u>2017</u>
Assets	\$14853, 620
Liabilities	<u>\$(9,561,108)</u>
Members' Equity	<u>\$5,292,512</u>

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

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

9. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

10. RESTATEMENT OF BEGINNING FUND BALANCE

The Township made fund balance adjustments to void checks written but not cashed timely and to correct investment balances. The adjustments had the following effects on fund balances at January 1, 2017:

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Project Funds</u>
Ending Fund Balance at December 31, 2016	\$ 2,917,282	\$ 10,746,077	\$ 7,167,833
Voided checks	-	2,638	396,288
Restated Fund Balance January 1, 2017	<u>\$ 2,917,282</u>	<u>\$ 10,748,715</u>	<u>\$ 7,564,121</u>

11. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfers occurred during the year ended December 31, 2017.

<u>Transfer Out</u>	<u>Transfer In</u>	
	<u>Capital Projects</u>	<u>Special Revenue</u>
2017		
General	\$ 1,221,923	\$ 28,500

**ORANGE TOWNSHIP
DELAWARE COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 2,255,622	\$ 9,061,650	\$ -	\$ -	\$ 11,317,272
Charges for Services	5,710	415,630	-	-	421,340
Licenses, Permits and Fees	236,040	22,399	-	-	258,439
Intergovernmental	316,785	1,448,983	226,389	-	1,992,157
Earnings on Investments	85,234	3,661	1	5	88,901
Miscellaneous	76,015	77,217	-	-	153,232
<i>Total Cash Receipts</i>	<u>2,975,406</u>	<u>11,029,540</u>	<u>226,390</u>	<u>5</u>	<u>14,231,341</u>
Cash Disbursements					
Current:					
General Government	1,690,012	-	-	-	1,690,012
Public Safety	-	6,565,909	-	-	6,565,909
Public Works	370,019	152,283	-	-	522,302
Health	-	15,078	-	-	15,078
Conservation-Recreation	-	845,985	-	-	845,985
Capital Outlay	102,009	761,262	1,328,720	-	2,191,991
Debt Service:					
Principal Retirement	-	1,260,000	-	-	1,260,000
Interest and Fiscal Charges	-	24,037	-	-	24,037
<i>Total Cash Disbursements</i>	<u>2,162,040</u>	<u>9,624,554</u>	<u>1,328,720</u>	<u>-</u>	<u>13,115,314</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	813,366	1,404,986	(1,102,330)	5	1,116,027
Other Financing Receipts (Disbursements)					
Transfers In	-	-	2,200,000	-	2,200,000
Transfers Out	(2,200,000)	-	-	-	(2,200,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(2,200,000)</u>	<u>-</u>	<u>2,200,000</u>	<u>-</u>	<u>-</u>
<i>Net Change in Fund Cash Balances</i>	(1,386,634)	1,404,986	1,097,670	5	1,116,027
<i>Fund Cash Balances, January 1 - Restated (See Note 11)</i>	<u>4,357,916</u>	<u>9,341,091</u>	<u>6,070,163</u>	<u>3,693</u>	<u>19,772,863</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	3,698	3,698
Restricted	-	10,746,077	107,649	-	10,853,726
Committed	-	-	7,060,184	-	7,060,184
Assigned	1,512,679	-	-	-	1,512,679
Unassigned	1,458,603	-	-	-	1,458,603
<i>Fund Cash Balances, December 31</i>	<u>\$ 2,971,282</u>	<u>\$ 10,746,077</u>	<u>\$ 7,167,833</u>	<u>\$ 3,698</u>	<u>\$ 20,888,890</u>

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

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Delaware 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, conservation and recreation services, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Delaware County Sheriff's department to provide security of persons and property.

The Township participates in a public entity risk pool. Note 9 to the financial statements provides additional information for this entity. This organization is:

Public Entity Risk Pool:

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

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

B. 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.

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 Township 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.

C. 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:

1. General Fund

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. 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:

Special Fire Levy Fund - This fund receives property taxes for providing fire and emergency medical services to the Township.

Parks & Recreation Fund - This fund receives property taxes that are used for providing park and recreation services.

3. Capital Projects Funds

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Funds:

Orange Road/US 23 Intersection Improvements – This fund is used to accumulate resources to complete improvement to the intersection of Orange Road and US-23.

GM/H Roundabout Improvements – This fund is used to accumulate resources to complete improvement to a roundabout.

East Orange Road #1 Improvements – This fund is used to accumulate resources to complete improvement to East Orange Road.

East Orange Road #2 Improvements – This fund is used to accumulate resources to complete improvement to East Orange Road.

West Orange Road Improvements – This fund is used to accumulate resources to complete improvement to West Orange Road.

Bale – Kenyon Road Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #1.

Bale – Kenyon Road #2 Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #2.

Bale – Kenyon Road #3 Improvements – This fund is used to accumulate resources to complete improvement to Bale and Kenyon roads for Phase #3.

North Road Improvements – This fund is used to accumulate resources to complete improvement to North Road.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)*

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 Bequest Fund – This fund receives interest earned on the nonexpendable corpus. These earnings are used for the general maintenance and upkeep of the Township's cemetery.

D. Budgetary Process

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

1. 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.

2. 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.

3. 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.

A summary of budgetary activity appears in Note 3.

E. Deposits and Investments

The Township's accounting 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.

The Township values U.S. Treasury Notes at cost. Money market mutual funds are recorded at share values the mutual funds report. Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. 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.

G. Accumulated Leave

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

H. 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:

- 1. Nonspendable** - The Township classified assets as *nonspendable* when legally or contractually required to maintain the amounts intact.
- 2. 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.
- 3. 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.
- 4. Assigned** - Assigned funds 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* amount represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.
- 5. 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.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

2. COMPLIANCE

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Orange Road/US 23 fund by \$10,268 in 2016.

3. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2016 follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,804,239	\$2,975,407	\$(171,168)
Special Revenue	11,773,980	11,029,540	\$744,440
Capital Projects	2,200,000	2,426,390	\$(226,390)
Permanent	-	5	\$(5)
Total	\$16,778,219	\$16,431,342	\$346,877

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$5,169,211	\$4,403,371	\$765,840
Special Revenue	15,808,436	10,198,677	5,609,759
Capital Projects	4,369,496	2,275,606	2,093,890
Total	\$25,347,143	\$16,877,654	\$8,469,489

4. DEPOSITS AND INVESTMENTS

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

	2016
Demand Deposits	\$5,127,039
Certificates of Deposit	3,186
Money Market	177,243
Other Time Deposits (Savings and NOW Accounts)	10,219
Total Deposits	5,317,687
U.S. Treasury Notes	5,704,401
Municipal Bonds	2,264,299
STAR Ohio	7,602,503
Total Investments	15,571,203
Total Deposits and Investments	\$20,888,890

Deposits: Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)*

4. DEPOSITS AND INVESTMENTS

Investments: The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

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

5. DEBT

On April 23, 2013, the Township issued a \$3,780,000 fire levy tax anticipation note with terms of 3-years at 1.94% interest rate. The final payment was made in September 2016.

6. PROPERTY TAX

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

Public utilities are also taxed on personal and real property located within the Township.

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

7. DEFINED BENEFIT PENSION PLANS AND POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Some 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, 2016.

Ohio Police and Fire Retirement System

Some Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). OP&F 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. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 19.5 percent of full-time police members' wages and 24 percent of full-time fire fighters' wages, respectively. The Township has paid all contributions required through December 31, 2016.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

8. POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer 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 2016. OP&F contributes 0.5 percent to fund these benefits.

9. RISK MANAGEMENT

Risk Pool Membership

The Government 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, 2016, 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, 2016.

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 amounts did not exceed insurance coverage for the past three fiscal years.

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and equity at December 31.

	<u>2016</u>
Assets	\$14,765,712
Liabilities	<u>(9,531,506)</u>
Members' Equity	<u>\$ 5,234,206</u>

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

**ORANGE TOWNSHIP
DELAWARE COUNTY**
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(CONTINUED)

10. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

11. RESTATEMENT OF BEGINNING FUND BALANCE

The Township made fund balance adjustments to correct investment balances. The adjustments had the following effects on fund balances at January 1, 2016:

	General Fund	Special Revenue Funds	Capital Project Funds
Ending Fund Balance at December 31, 2015	\$ 4,337,201	\$ 9,341,060	\$ 6,070,163
Correction of accounting errors of investment balances	20,715	31	-
Restated Fund Balance January 1, 2016	\$ 4,357,916	\$ 9,341,091	\$ 6,070,163

12. INTERFUND TRANSFERS

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following transfers occurred during the years ended December 31, 2016.

Transfer Out	Transfer In
2016	Capital Projects
General	\$ 2,200,000



313 Second St.
Marietta, OH 45750
740 373 0056

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

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

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

749 Wheeling Ave., Suite 300
Cambridge, OH 43725

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

October 31, 2018

Orange Township, Delaware County
1680 East Orange Road
Lewis Center, Ohio 43035

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 **Orange Township**, Delaware County, (the Township) as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements and have issued our report thereon dated October 31, 2018, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2017-001 through 2017-003 and 2017-005 described in the accompanying schedule of audit findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2017-004, 2017-006, 2017-007, 2017-010 and 2017-012 described in the accompanying schedule of audit findings to be significant deficiencies.

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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 matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2017-005 through 2017-0012.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not subject the Township's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



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

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness

Cash Reconciliations

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's cash balance. Bank reconciliation means accounting for the differences between the bank statement's balances and the cash balances according to the entity's records at a specific point in time.

The Assistant Fiscal Officer prepares monthly cash and investment reconciliations. For one of the investment accounts, we could not trace the investment earnings and / or losses used for reconciliation purposes to the statements. When re-performing the reconciliations, we identified material differences between our results and management's. We also noted there were months when the reconciliation process did not occur timely.

The Township should perform and complete monthly bank reconciliations in a timely manner. All unreconciled differences should be resolved as quickly as possible so they are not carried forward month-to-month and all reconciling matters should be appropriately documented.

Management's Response – I was appointed Fiscal Officer of Orange Township on September 19, 2018. Since the Audit Period (2016-2017) predated my appointment, I am not responsible for the material weaknesses, significant deficiencies, or non-compliance that were found during the audit. However, I take all of these findings very seriously and will work diligently to address them and make any corrections that are required. I will also take advantage of every opportunity for training and education and will use the LGS and the AOS office appropriately to assure that we are adhering to all requirements and best practices.

FINDING NUMBER 2017-002

Material Weakness

Posting Receipts and Disbursements, Fund Balance Classification and Notes to the Financial Statements

The Township is responsible for establishing procedures and controls to help prevent and detect errors in financial reporting. Fund balances should be classified based on Governmental Accounting Standards Board Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions.

During 2017 and 2016, receipts, disbursements and fund balances were not always posted or classified correctly. The following posting errors were noted:

- Ohio Public Works Commission grants and the related capital expenditures were not recorded;
- Investment gain and / or loss recorded was inaccurate

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-002 (Continued)

Material Weakness (Continued)

Posting Receipts and Disbursements, Fund Balance Classification and Notes to the Financial Statements (Continued)

- Several Capital Projects fund balances were classified entirely as Restricted when a portion should have been Committed; and
- The General Fund balance was classified entirely as Unassigned when a portion should have been Assigned.

Not posting receipts and disbursements or classifying fund balances accurately resulted in the financial statements requiring reclassification and adjusting entries. The Financial Statements reflect all reclassifications and adjustments. The Township has made these adjustments to their accounting system.

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

We also recommend the Fiscal Officer refer to the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements. The Fiscal Officer should refer to Auditor of State Technical Bulletin 2011-004 for assistance in properly classifying fund balances.

Management's Response – I was appointed Fiscal Officer of Orange Township on September 19, 2018. Since the Audit Period (2016-2017) predated my appointment, I am not responsible for the material weaknesses, significant deficiencies, or non-compliance that were found during the audit. However, I take all of these findings very seriously and will work diligently to address them and make any corrections that are required. I will also take advantage of every opportunity for training and education and will use the LGS and the AOS office appropriately to assure that we are adhering to all requirements and best practices.

FINDING NUMBER 2017-003

Material Weakness

Notes to Financial Statements

The required components of the financial statements will vary by entity type and basis of accounting. Regulatory Cash Basis entities are required to file financial statements and notes to the financial statements within 60 days of the fiscal year end. *GASB Codification 2300* explains that notes to the financial statements are intended to communicate information that is necessary for a fair presentation of the financial statements that is not readily apparent from, or cannot be included in, the financial statements themselves. The notes to the financial statements are an integral part of the financial statements, intended to be read with the financial statements, and are the entity's responsibility to prepare.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-003 (Continued)

Material Weakness (Continued)

Notes to Financial Statements (Continued)

During the audit, aspects of the notes to the financial statements were corrected from the Hinkle filing to agree to the financial statements in the audit report and to include all necessary note disclosures.

To ensure compliance with the annual financial report filing requirements, entities should plan sufficient time and engage any necessary assistance to prepare their annual financial report.

Management's Response – I was appointed Fiscal Officer of Orange Township on September 19, 2018. Since the Audit Period (2016-2017) predated my appointment, I am not responsible for the material weaknesses, significant deficiencies, or non-compliance that were found during the audit. However, I take all of these findings very seriously and will work diligently to address them and make any corrections that are required. I will also take advantage of every opportunity for training and education and will use the LGS and the AOS office appropriately to assure that we are adhering to all requirements and best practices.

FINDING NUMBER 2017-004

Significant Deficiency

Control Environment and Monitoring Controls

As part of the audit we must consider the Township's internal controls. We use the 2013 Internal Control—Integrated Framework (Framework), promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for a structure by which to evaluate the Township's system of internal control. COSO's Framework has been recognized globally as a suitable framework on which management may develop an entity's system of internal control and the standard setters discuss the five components of internal control as outlined in the Framework in the requirements for obtaining an understanding of the entity and its environment, including internal control.

Based upon our observations we conclude that during 2017 and 2016 the Township was deficient in Control Environment and Monitoring Controls. Following are internal control principles that we found not be working effectively at the Township.

Control Environment - Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.

Monitoring Controls - Considering whether the control, individually or in combination with other controls, is capable of effectively preventing or detecting and correcting material misstatements; the organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-004 (Continued)

Significant Deficiency (Continued)

Control Environment and Monitoring Controls (Continued)

The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

According to *Government Auditing Standards* a deficiency in *operation* exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. During our audit testing we noted several failures in internal control applications as follows:

- Fraud reporting notifications were not maintained for newly hired employees
- Township Trustees were not approving payroll reports
- For two voided transactions the supporting documentation could not be located
- 2% of the nonpayroll disbursements tested did not have the required checks signatures
- 2% of the nonpayroll disbursements tested did not have the supporting documentation
- 26% of the nonpayroll disbursements tested were not certified by the Fiscal Officer
- For 6% of the nonpayroll disbursements tested the required review of the invoice and product/service was not documented

The Township should consider implementing an effective control environment and monitoring controls to prevent and detect financial misstatements and noncompliance with laws.

Management's Response – I was appointed Fiscal Officer of Orange Township on September 19, 2018. Since the Audit Period (2016-2017) predated my appointment, I am not responsible for the material weaknesses, significant deficiencies, or non-compliance that were found during the audit. However, I take all of these findings very seriously and will work diligently to address them and make any corrections that are required. I will also take advantage of every opportunity for training and education and will use the LGS and the AOS office appropriately to assure that we are adhering to all requirements and best practices.

FINDING NUMBER 2017-005

Material Weakness/Noncompliance

Budgetary Controls

The budget is an instrument of public policy: A governing board expresses its desires for using a government's limited resources through its appropriations. Ohio Rev. Code Section 5705 deals with a variety of budgetary requirements that all subdivisions must comply with in order to ensure fiscal responsibility.

In performing the audit we noted several violations of budgetary law which, although they do not in and of themselves, result in errors in financial reporting, may lead to the Township making financial decisions based on incorrect or incomplete information. We noted the following:

- Violations of 5705.41(B) stating no subdivision is to expend money unless it has been appropriated (expenditures exceeded appropriations);

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-005 (Continued)

Material Weakness/Noncompliance (Continued)

Budgetary Controls (Continued)

We noted budgetary expenditures exceeded appropriation authority in the Cemetery fund by \$20,207, in the Permanent Improvement Orange/US 23 fund by \$94,473 and in the Permanent Improvement Bale Kennon fund by \$534,136 for the year ended December 31, 2017. We also noted budgetary expenditures exceeded appropriation authority in the Orange Road/US 23 fund by \$10,268 in 2016.

In addition, the Township did not have a control procedure in place to ensure that appropriations and estimated receipts, as authorized by the Board of Trustees and approved by the County Budget Commission, were reconciled to the appropriations and estimated receipts posted to the accounting system.

This resulted in incorrect amounts posted to the accounting system and information available to Township officials to monitor year-to-date total comparison of budgeted amounts versus actual amounts was not accurate. We recommend the Township implement procedures to ensure appropriations and estimated receipts are accurately posted to the accounting system and reconciled to the amounts approved by the budget commission after each amendment.

The Fiscal Officer and Board should review the requirements of ORC section 5705 to be familiar with these laws and to make sure the Township is complying with applicable sections. We recommend the Township establish a procedure that ensures budgetary forms are submitted to the County accurately and timely. This could include a checklist of forms and due dates.

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FINDING NUMBER 2017-006

Significant Deficiency/Noncompliance

Ohio Revised Code Section 145.47 states the head of each state department and the fiscal officer of each local authority subject to this chapter shall transmit promptly to the public employees retirement system a report of contributions at such intervals and in such form as the system shall require, showing thereon all deductions for the system made from the earnable salary of each contributor employed, together with warrants or checks covering the total of such deductions within thirty days after the last day of such reporting period.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-006 (Continued)

Significant Deficiency/Noncompliance (Continued)

The Township submitted the monthly OPERS reports late for two months in 2017 and two months in 2016. As of December 31, 2017, all reports have been submitted. The Township paid late fees as a result.

We recommend the Fiscal Officer take the care necessary to ensure OPERS contributions are being remitted timely and in the correct amount to avoid accrual of interest and penalties.

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FINDING NUMBER 2017-007

Significant Deficiency/Noncompliance

Ohio Rev. Code Section 742.35, in part, states that each employer shall pay its police officer employers' contribution and firefighter employers' contribution in monthly payments as provided in sections 742.33 and 742.34 of the Revised Code. The employer shall make each payment not later than the last day of the month after the month for which the police officer or firefighter employee contributions were withheld. If an employer fails to make the payment installment by the date it is due, a penalty determined under section 742.352 of the Revised Code shall be assessed against the employer. In addition, interest on past due accounts and penalties may be charged at a rate determined by the board from the date the payment is due to the date of payment.

The Township did not submit the monthly OP&F reports for one month in 2017 and one month in 2016 timely. The Township paid late fees as a result. As of December 31, 2017, all reports have been submitted.

We recommend the Fiscal Officer take the care necessary to ensure OP&F contributions and related reports are being remitted timely and in the correct amount to avoid accrual of interest and penalties.

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**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-008

Noncompliance

Ohio Revised Code Section 117.38 states, in part, cash-basis entities must file annual reports with the Auditor of State within 60 days of the fiscal year end. The Auditor of State may prescribe by rule or guidelines the forms for these reports. However, if the Auditor of State has not prescribed a reporting form, the public office shall submit its report on the form used by the public office. The report shall contain the amount of: (A) receipts, and amounts due from each source; (B) expenditures for each purpose; (C) income of any public service industry that the entity owns or operates, as well as the costs of ownership or operation; and (D) public debt of each taxing district, the purpose of the debt, and how the debt will be repaid. Also, the public office must publish notice in a local newspaper stating the financial report is available for public inspection at the office of the chief fiscal officer.

The Township did not completely file the 2016 Annual Financial Report with the Auditor of State's office within the designated 60 days of the fiscal year end.

We recommend the Township implement a control procedure to ensure the Annual Financial Reports are filed completely and timely with the Auditor of State's office.

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FINDING NUMBER 2017-009

Noncompliance

Ohio Revised Code Section 149.43 states, in part, all public records shall be promptly prepared and made available to any member of the general public at all reasonable times during regular business hours for inspection. Upon request, a person responsible for public records shall make copies available at cost, within a reasonable period of time. Every public office must have a policy in place for compliance with Public Records Laws. There are three specific items that public offices cannot have in their public records policies. They policy cannot: (1) limit the number of public records it will make available to a single person; (2) limit the number of public records it will make available during a fixed period of time; or (3) establish a fixed period of time before it will respond to a request for inspection/copying of public records unless that period is less than eight hours. All public offices are required to distribute their Public Records Policy to the employee who is the records custodian/manager or otherwise has custody of the records of that office.

By September 29, 2007, all public offices were required to create a poster describing its public records policy. In addition, the public office is required to post the poster in a conspicuous place in the public office and in all locations where the public office has branch offices. Finally, if the public office has an employee policies and procedures manual or handbook, it is required that the public records policy be included in such manual or handbook.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-009 (Continued)

Noncompliance (Continued)

The Township did have a public records policy, however, based upon inquiries and observations the Township did not have a record of the requests nor if or when the request was met.

We recommend the Township create and maintain a log of all requests of who, what and when requested and when the documents were provided.

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FINDING NUMBER 2017-010

Significant Deficiency/Noncompliance

Interfund Transfer

In 2017, the Township made a transfer from a capital project fund to another capital project fund without obtaining approval.

Ohio Revised Code Section 5705.14 states, in part, no transfer shall be made from one fund of a subdivision to any other fund, by order of the court or otherwise, except as outlined in the section. Section (l) states, in part, except in the case of transfer pursuant to division (E) of this section, transfers authorized by this section shall only be made by resolution of the taxing authority passed with the affirmative vote of two-thirds of the members

The Township should implement procedures to obtain the required approval to make interfund transfers.

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**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-011

Noncompliance

Fiscal Officer Training

Ohio Rev. Code Section 135.22 states that annually a treasurer shall complete continuing education programs to enhance the background and working knowledge of investments, cash management, and ethics, unless the treasurer provides annually to the Auditor of State a notice of exemption. The notice shall be certified by the Treasurer of State and shall provide that the treasurer is not subject to the continuing education requirements.

The Fiscal Officer did not attend continuing education programs in 2016 or 2017 nor did he file notice of exemption to the Auditor of State. Although the requirement stipulates the training requirement be met prior to the end of the Fiscal Officer's term, the Fiscal Officer hadn't complied with the requirement through the majority of the term prior to leaving the position.

We recommend the Township Fiscal Officer file an annual exemption notice with the Auditor of State, indicating exemption from continuing education requirements of Ohio Rev. Code Section 135 or complete continuing educations programs

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FINDING NUMBER 2017-012

Significant Deficiency/Noncompliance

Ohio Revised Code Section 5705.41(D) requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision's fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*Schedule of Audit Findings
For the Years Ended December 31, 2017 and 2016*

FINDING NUMBER 2017-012 (Continued)

Significant Deficiency/Noncompliance (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 26% of the expenditures tested for 2017.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

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Dave Yost • Auditor of State

ORANGE TOWNSHIP

DELAWARE 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 27, 2018**