



**ORANGE TOWNSHIP
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

ORANGE TOWNSHIP
DELAWARE COUNTY

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88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

Orange Township
Delaware County
1680 E. Orange Rd.
PO Box 397
Lewis Center, OH 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 the Orange Township, Delaware County, Ohio (the Township) as of and for the year ended December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 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 the respective changes in financial position thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements by fund type, and related notes of the Orange Township, Delaware County as of December 31, 2018, for the year 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 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 11, 2019

Orange Township

Delaware County, Ohio

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	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$2,591,522	\$9,199,090	\$0	\$0	\$11,790,612
Charges for Services	2,900	411,632	0	0	414,532
Licenses, Permits and Fees	200,587	144,232	0	0	344,819
Intergovernmental	354,095	2,024,239	149,903	0	2,528,237
Earnings on Investments	273,852	8,139	6	39	282,036
Miscellaneous	66,222	171,434	0	0	237,656
<i>Total Cash Receipts</i>	<u>3,489,178</u>	<u>11,958,766</u>	<u>149,909</u>	<u>39</u>	<u>15,597,892</u>
Cash Disbursements					
Current:					
General Government	2,076,948	0	0	0	2,076,948
Public Safety	0	7,655,741	0	0	7,655,741
Public Works	452,941	322,738	0	0	775,679
Health	0	19,212	0	0	19,212
Conservation-Recreation	0	835,840	0	0	835,840
Capital Outlay	249,203	1,543,865	857,649	0	2,650,717
<i>Total Cash Disbursements</i>	<u>2,779,092</u>	<u>10,377,396</u>	<u>857,649</u>	<u>0</u>	<u>14,014,137</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>710,086</u>	<u>1,581,370</u>	<u>(707,740)</u>	<u>39</u>	<u>1,583,755</u>
Other Financing Receipts (Disbursements)					
Other Financing Uses	(5,000)	0	0	0	(5,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(5,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(5,000)</u>
<i>Net Change in Fund Cash Balances</i>	705,086	1,581,370	(707,740)	39	1,578,755
<i>Fund Cash Balances, January 1</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>
Fund Cash Balances, December 31					
Nonspendable	0	0	0	3,749	3,749
Restricted	0	10,784,114	107,657	0	10,891,771
Committed	0	0	5,768,890	0	5,768,890
Assigned	329,422	0	0	0	329,422
Unassigned	2,891,639	0	0	0	2,891,639
<i>Fund Cash Balances, December 31</i>	<u>\$3,221,061</u>	<u>\$10,784,114</u>	<u>\$5,876,547</u>	<u>\$3,749</u>	<u>\$19,885,471</u>

See accompanying notes to the basic financial statements

**ORANGE TOWNSHIP
DELAWARE COUNTY**
*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018*

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'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, 2018
(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, 2018
(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.

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, 2018
(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, 2018
(CONTINUED)

2. BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2018 follows:

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,420,503	\$3,489,178	\$68,675
Special Revenue	11,542,417	11,958,766	416,349
Capital Projects	0	149,909	149,909
Permanent	0	39	39
Total	\$14,962,920	\$15,597,892	\$634,972

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,283,495	\$2,853,753	\$429,742
Special Revenue	14,617,362	10,861,268	3,756,094
Capital Projects	2,207,651	1,246,219	961,432
Total	\$20,108,508	\$14,961,240	\$5,147,268

3. 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.

	2018
Demand deposits	\$4,751,120
Certificates of deposit	3,201
Other time deposits	33,087
Total deposits	4,787,408
U.S. Treasury Notes	6,885,003
Municipal Bonds	1,410,139
STAR Ohio	6,802,921
Total investments	15,098,063
Total deposits and investments	\$19,885,471

Deposits: 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: 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.

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

4. 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.

5. 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, 2018.

Ohio Police and Fire Retirement System

Some Township's certified Fire Fighters 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 24 percent of full-time fire fighters' wages. The Township has paid all contributions required through December 31, 2018.

6. 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 2018. OP&F contributes 0.5 percent to fund these benefits.

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

7. RISK MANAGEMENT

Orange Township insures against injuries to employees through the Bureau of Workers' Compensation. Orange Township is exposed to various risks of property and casualty losses, and injuries to employees. Orange Township belongs to the McGowan Governmental Underwriters (MGU). MGU is one of The McGowan Companies (TMC) a family-controlled conglomerate of insurance and financial service companies. MGU is a leading provider of insurance products for public entities nationwide, including umbrella and package products. MGU provides property and casualty coverage for its members.

8. SELF-INSURANCE MEDICAL INSURANCE

The Township is self-insured for employee's medical health insurance. The Township pays covered claims to service providers utilizing pay-as-you-go funding option which is charged to the Township funds incurring the cost, which consists of General Fund and Special Revenue funds. Interfund rates are charged based on claims approved by the claims administrator.

Contrary to Ohio law, the Township did not obtain an actuarially measured liability as of December 31, 2018. The Township terminated their medical self-insurance effective December 31, 2018, opting to maintain health care insurance using a traditional plan effective January 1, 2019.

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.



88 East Broad Street, 5th Floor
Columbus, Ohio 43215-3506
(614) 466-3402 or (800) 443-9275
CentralRegion@ohioauditor.gov

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

Orange Township
Delaware County
1680 E. Orange Rd.
PO Box 397
Lewis Center, OH 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 the Orange Township, Delaware County, (the Township) as of and for the year ended December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated September 11, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses and 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 2018-001 and 2018-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2018-003 through 2018-006 described in the accompanying schedule of findings to be significant deficiencies.

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 findings as items 2018-002, 2018-006 and 2018-007.

Township's Response to Findings

The Township's responses to the findings identified in our audit are described in the accompanying schedule of 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.



Keith Faber
Auditor of State

Columbus, Ohio

September 11, 2019

ORANGE TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING NUMBER 2018-001

Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. GASB Statement No. 54 requires fund balance be divided into one of five classifications based on the extent to which constraints are imposed upon the resources.

Due to a lack of internal controls in place to help ensure receipts, expenditures, and fund balances are properly classified, we identified the following misstatements on the Township's December 31, 2018 financial statements:

- Reclassifications of fund balance from Unassigned to Assigned in the General Fund in the amount of \$329,422. This reclassification is to account for the general fund's subsequent appropriations in excess of estimated receipts plus year-end outstanding encumbrances as Assigned. This reclassification is reflected in the audited financial statements.
- Reclassifications of fund balance from Restricted to Committed in the Capital Projects Fund in the amount of \$5,768,890. This reclassification is to account for capital project fund balances in which the revenue source is transfers in from general fund as Committed. This reclassification is reflected in the audited financial statements.
- An audit adjustment to increase fiscal year 2018 General Fund beginning balance in the amount of \$42,727. This audit adjustment is to correct beginning balance so that it agrees to the December 31, 2017 audited ending fund balance. This adjustment has been made and is reflected in the audited financial statements. Additionally, related corrections have been made to balances reported in the deposits and investments disclosure note.
- Unadjusted differences which would increase Earnings on Investments in the amount of \$38,673 in the General Fund, \$1,636 in the Special Revenue Fund, and \$8 in the Permanent Fund. The total unadjusted difference across all funds is \$40,317. This unadjusted difference is not reflected in the audited financial statements.

Lack or failure of controls over financial reporting can result in errors and irregularities that could go undetected and decrease the reliability of financial data.

We recommend the Township fiscal office prepare the financial statements and note disclosures to appropriately reflect the activity of the Township and have another Township official with the appropriate knowledge level review what has been prepared before it is filed with the Auditor of State's Office. The Township fiscal office should also review Auditor of State Audit Bulletin 2011-004 to gain an understanding of GASB Statement No. 54 and its impact on the reporting of fund balances on the year end financial statements.

**ORANGE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)**

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

FINDING NUMBER 2018-001 (Continued)

Financial Reporting – Material Weakness (Continued)

Officials' Response

The current Fiscal Officer was appointed on September 19, 2018. The former Fiscal Office was 3 months behind in the payment of most obligations and five months behind in completed bank reconciliations. It was quickly evident that financial reporting to the Board of Trustees was not being done effectively and not in a timely manner. Many internal controls were inadequate or non-existent and the general organization of the financial office was in disarray. These conditions further exacerbated the problem. Working with the auditors, LGS, and our County Prosecutor's office, we have been addressing all of these deficiencies and will continue to do so until everything is functioning the way it should.

FINDING NUMBER 2018-002

Recording On-Behalf Grants – Material Weakness / Material Noncompliance

Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Township did not record the fiscal year 2018 revenues and related expenditures for an on-behalf-of grant in the amount of \$149,903 for the Bale-Kenyon improvement project which passed through Ohio Public Works Commission.

The financial statements and footnotes include the proper adjustments to reflect the project within the Capital Projects fund.

Failure to record these amounts results in an understatement of receipts and disbursements on the Township's financial statements.

We recommend the Township be cognizant of on-behalf programs and record the activity properly in their accounting system.

Officials' Response

The current Fiscal Officer understands the requirement to record both the revenues and the related expenditures for an on-behalf-of grant. We will assure compliance by recording the activity in our accounting system.

**ORANGE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)**

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

FINDING NUMBER 2018-003

Timely Recording of Cash Collections – Significant Deficiency

During 2018, the Township did not timely record all receipts in their accounting system/records. Receipts not timely posted included pool, property tax and intergovernmental receipts.

Due to negligence of the former Fiscal Officer, 2018 receipts were often not recorded to the accounting system for weeks to months after the receipts were deposited in the Township's bank accounts. Our testing procedures identified the following receipts that were not recorded in the Township's accounting system in a timely manner in comparison to the date the receipts were deposited in the Township's bank account:

- Of the 1,059 total receipts reported as Charges for Services on the financial statement, 25% were not recorded in the Township's accounting system until 5 to 93 business days after the deposit date.
- Of the 58 total receipts reported as Intergovernmental on the financial statement, 86% were not recorded until 5 to 118 business days after the deposit date.
- Of the 31 total receipts reported as Property and Other Local Taxes on the financial statements, 48% were not recorded until 5 to 103 business days after the deposit date.

Failure to promptly record receipts may result in misappropriation of funds and inaccurate record keeping.

The Township fiscal office should ensure that the Township's accounting system accurately reflects all financial activity of the Township as it occurs. This will also allow for timely bank reconciliations (see Finding Number 2018-004) and for accurate financial information to be provided to the Board of Trustees and Township department heads at the end of each month (See Finding 2018-005).

Officials' Response

The current Fiscal Officer understands the importance of timely reporting of all receipts in the Township's accounting system. The current Fiscal Officer continues to address various processes and procedures that will allow the Township's accounting system to accurately reflect all financial activity in a timely manner.

FINDING NUMBER 2018-004

Monthly Performance of Bank-to-Book Reconciliations – Significant Deficiency

Strong monitoring practices of Township financial activities are the responsibility of the Fiscal Officer and Board of Trustees and are essential to help ensure proper financial reporting. A bank-to-book reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. Reconciliations should include all bank accounts and book balances. Good internal controls suggest the Fiscal Officer and Board of Trustees review bank-to-book reconciliations, monthly financial activity and budgeted versus actual receipts and expenditures documenting evidence of these reviews.

**ORANGE TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)**

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

Monthly Performance of Bank-to-Book Reconciliations – Significant Deficiency (Continued)

The Township did perform bank-to-book reconciliations throughout fiscal year 2018; however, reconciliations were not performed timely or on a monthly basis.

- For the months of January through March, the Township did not perform bank-to-book reconciliations until April of 2018.
- The monthly bank-to-book reconciliation was not performed for the month of April until September of 2018.
- The monthly bank-to-book reconciliations from the months of May through July were not performed until October of 2018.
- The monthly bank-to-book reconciliations for the months of August and September were not performed until November of 2018.
- The monthly bank-to-book reconciliations for October and November were not performed until January of 2019.
- The bank-to-book reconciliation for December was not performed until February of 2019.

Also noted in Finding 2018-003, the Township’s accounting system did not accurately reflect all of the Township’s financial transactions as the transactions occurred. Therefore, the reconciliations could not be reviewed or approved by Trustees in a timely manner.

As a result, inaccurate financial reports could be provided to the Board of Trustees which could lead to errors or irregularities to occur that could go undetected by management.

We recommend the Township Fiscal Office reconcile all bank accounts to the books at the conclusion of each month. In this process, all reconciling items or errors should be identified and included on the face of the reconciliation. All unreconciled balances should be researched in order to find the known source of the error. All errors should be corrected on the Township’s accounting system following the completion of the reconciliation. As an additional monitoring control, we recommend the monthly bank reconciliation be reviewed and approved by Trustees each month and evidence of these reviews and approvals should be documented.

Officials’ Response

The current Fiscal Officer is aware of the importance of timely bank-to-book reconciliations. When the current Fiscal Officer arrived, the bank reconciliations were at least 4 months behind. The disarray of the office resulting in the inability to locate necessary documents made bank reconciliations extremely difficult and time consuming. The swimming pool creates a huge number of transactions and many of these had not been kept up to date. All of these factors coupled with the sheer volume of transactions of the Township made it very challenging to catch up on the bank reconciliations. We are making changes to processes and procedures to allow the Township bank reconciliations to be completed in a more-timely manner.

ORANGE TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)

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

FINDING NUMBER 2018-005

Financial Oversight – Significant Deficiency

It is the Township Board of Trustee's responsibility to monitor monthly reports and verify that related documents agree with the reports. It is also pertinent the Board monitor financial activity closely at each regular monthly meeting. Financial information may include monthly bank-to-book reconciliations, listings of receipts and expenditures, as well as, budget versus actual reports at the Township's legal level of control. In addition, Township department heads need to be provided accurate financial information that can be reviewed and used in making operational decisions.

During our evaluation of the Board of Trustee meetings minutes, it was not documented the board received financial reports to evaluate Township activity for the months of January through July 2018. The Township Fiscal Officer did not present financial information to the Board of Trustees during fiscal year 2018 until the August 6, 2018 board meeting.

Failure to provide those charged with governance and Township department heads financial information could lead to a lack of financial oversight, and improper spending of Township funds.

The Township fiscal office should ensure the Township accounting system reflects all financial activity of the Township as it occurs so that accurate financial information can be provided to the Board of Trustees and Township department heads at the end of each month. The Board of Trustees and Township department heads should review the monthly financial reports provided by the fiscal office to ensure that the operations of the Township are within the budgetary and various other regulatory guidelines of the Township.

Officials' Response

The current Fiscal Officer understands the importance of providing financial information to the Board in a timely manner. Significant improvement has occurred compared to 2018, but we still have room for improvement.

FINDING NUMBER 2018-006

Self-Insurance Reporting – Significant Deficiency / Material Noncompliance

Ohio Rev. Code § 9.833 (C)(2) states in part, each political subdivision shall reserve funds necessary for an individual or joint self-insurance program in a special fund that may be established for political subdivisions other than an agency or instrumentality pursuant to an ordinance or resolution of the political subdivision and not subject to the **Ohio Rev. Code §5705.12**. An agency or instrumentality shall reserve the funds necessary for an individual or joint self-insurance program in a special fund established pursuant to a resolution duly adopted by the agency's or instrumentality's governing board. The political subdivision may allocate the costs of insurance or any self-insurance program, or both, among the funds or accounts established under this division on the basis of relative exposure and loss experience.

Ohio Rev. Code § 9.833 (C)(4) states the self-insurance program shall include a contract with a certified public accountant and a member of the American academy of actuaries for the preparation of the written evaluations required under division (C)(1).

ORANGE TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)

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

FINDING NUMBER 2018-006 (Continued)

Self-Insurance Reporting – Significant Deficiency / Material Noncompliance (Continued)

The Township was self-insured for employee health care benefits for the period of January 1, 2018 through December 31, 2018. However, the Township did not establish the required self-insurance internal service fund. Also, for the December 31, 2018 reporting period, the Township did not contract with a certified public accountant and a member of the American academy of actuaries for preparation of a written evaluation. Additionally, the Township's self-insurance disclosure note was not included in the notes to the financial statements. The note added to the final audited report is deficient due to the required actuarially determined liability not being completed.

Failure to create a separate fund for self-insurance activity could result in an inability to accurately monitor the self-insurance activity and results in financial reporting deficiencies. Failure to contract with an actuary could result in increased risk to Township resources and results in financial reporting deficiencies.

The Township is not self-insured as of January 1, 2019. Should the Township decide to enter into a self-insurance contract in the future, the Board of Trustees and management should establish a self-insurance fund via board resolution in accordance with **Ohio Rev. Code § 9.833**. In addition, the Board of Trustees should contract with an actuary to provide the required annual report over self-insurance liability.

Officials' Response

The self-insurance program used by the Township in 2018 caused many problems, in addition to costing far more than was anticipated. It also has some impact on 2019 because of the run-out period for submitted claims. Fortunately, the health insurance program the Township has used in 2019 has solved almost every problem related to the self-insured program. The current Fiscal Officer will be very wary and cautious if a self-insurance program is ever suggested again.

FINDING NUMBER 2018-007

Late Fees and Penalties – Finding For Recovery / Material Noncompliance

State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only.

Ohio Rev. Code § 145.47(B) states, in part, that 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 FINDINGS
DECEMBER 31, 2018
(Continued)

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

FINDING NUMBER 2018-007 (Continued)

Late Fees and Penalties – Finding For Recovery / Material Noncompliance (Continued)

Ohio Rev. Code § 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.

Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper Public Purpose states that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and as fiscal officer, Mr. Spitzer was responsible for ensuring payments were made to all vendors in a timely manner. There were several instances in which the Township was assessed late fees and/or penalties due to inefficient accounting operations. As a result of delayed payments, the Township incurred \$2,586 in penalties and interest, which were paid by the Township during 2018.

Vendor	Total Late Fees & Penalties
American Electric Power	\$ 294
Del-Co Water Company, Inc.	178
First Commonwealth Bank Credit Card	639
Ohio State Department of Taxation Sales Tax	467
Ohio Public Employee Retirement System (OPERS)	658
Ohio Police and Fire Retirement System (OP&F)	350
Total	\$ 2,586

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 Joel Spitzer and his bonding company Selective Insurance Company of America in the amount of \$2,586, and in favor of Orange Township General Fund, in the amount of \$2,586.

Officials' Response

This was a serious problem in 2018. The current Fiscal Officer is looking at every process and procedure to eliminate incurring late fees or penalties.



Orange Township

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS December 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Cash Reconciliations – Material Weakness: Issued due to not being properly reconciled.	Fully Corrected	The Township is reconciled at 12/31/2018.
2017-002	Financial Reporting – Material Weakness: Issued due to financial statement errors.	Not Corrected	Reissued as finding 2018-001.
2017-003	Notes to Financial Statements – Material Weakness: Issued due to errors in the Hinkle filed Notes.	Partially Corrected	Included in finding 2018-001 and 2018.005.
2017-004	Control Environment and Monitoring Controls – Significant Deficiency: Issued due to concerns related to monitoring controls.	Not Corrected	Elements of this comment are reissued as finding 2018-004.
2017-005	Budgetary Controls – Material Weakness / Noncompliance: Issued due to expenditures exceeding appropriations & system not agreeing to board approved appropriations.	Fully Corrected	Not a continuing issue in 2018.
2017-006	Late Submissions to OPERS – Significant Deficiency / Noncompliance: Violation of ORC 145.47 and incurring late fees.	Not Corrected	Reissued as finding 2018-006.
2017-007	Late Submissions to OP&F – Significant Deficiency / Noncompliance: Violation of ORC 742.35 and incurring late fees.	Not Corrected	Reissued as finding 2018-006.
2017-008	Annual Financial Reporting – Noncompliance: Filing late with the AOS Hinkle System	Fully Corrected.	Not a continuing issue in 2018.
2017-009	Public Records – Noncompliance: Issued due to not maintaining records of request.	Fully Corrected.	Not a continuing issue in 2018.
2017-010	Interfund Transfer – Significant Deficiency / Noncompliance: issued due to unapproved transfers.	Fully Corrected.	Not a continuing issue in 2018.
2017-011	Fiscal Officer Training – Noncompliance: violation of ORC 135.22.	Not Corrected.	Issued in Management Letter in 2018.
2017-012	Certified Expenditures – Significant Deficiency / Noncompliance: violation of ORC 5705.41(D)	Fully Corrected.	Not a continuing issue in 2018.

OHIO AUDITOR OF STATE
KEITH FABER



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
NOVEMBER 7, 2019**