



Dave Yost • Auditor of State



ORANGE TOWNSHIP  
MEIGS COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2015 .....	5
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types – For the Year Ended December 31, 2014 .....	6
Notes to the Financial Statements .....	7
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	13
Schedule of Findings.....	15
Schedule of Prior Audit Findings.....	19

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Orange Township  
Meigs County  
42455 Woods Road  
Coolville, Ohio 45723

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, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014.

### ***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 § 117.38 and Ohio Administrative Code § 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.

***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 § 117.38 and Ohio Administrative Code § 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 § 117.38 and Ohio Administrative Code § 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 of 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, 2015 and 2014, or changes in financial position thereof for the years then ended.

***Basis for Adverse Opinion on Regulatory Basis of Accounting***

Ohio Rev. Code § 505.24(C) and Ohio Attorney General Opinion No. 2004-056 require trustees to certify the percentage of time spent working on matters that are to be paid from funds other than the General Fund. Without this documentation, the Township must charge salaries to the General Fund. During 2015 and 2014, the Township charged Trustees' salaries to the Gasoline Tax and Motor Vehicle License Tax Funds without the required certifications. The adjustment required to record these salaries in the General Fund, the Gasoline Tax Fund and the Motor Vehicle License Fund for the current audit period, follows:

	General Fund	Gasoline Tax	Motor Vehicle License Tax
2014 disbursements over(under)statement	(\$13,709)	\$12,948	\$761
December 31, 2014 fund balance over(under)statement	13,709	(12,948)	(761)
2015 disbursements over(under)statement	(20,165)	11,025	9,140
December 31, 2015 fund balance over(under)statement	\$33,874	(\$23,973)	(\$9,901)

***Opinion on Regulatory Basis of Accounting***

In our opinion, because of the effects of the December 31, 2015 and 2014 fund cash balance misstatements discussed in the *Basis for Adverse Opinion on Regulatory Basis of Accounting* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash fund balance of the General Fund and the combined fund cash balances of the Special Revenue Funds of Orange Township, Meigs County, Ohio, as of December 31, 2015 and 2014, or its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03 permit, described in Note 1.

***Emphasis of Matter***

As discussed in Note 10 to the financial statements, the Township has suffered recurring losses. Note 10 describes Management's plans regarding these matters. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. This matter does not affect our opinion on the financial statements.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2016, 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 14, 2016

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**ORANGE TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2015**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,407	\$45,848	\$61,255
Intergovernmental	27,982	110,879	138,861
Earnings on Investments	46	67	113
Miscellaneous	424	0	424
<i>Total Cash Receipts</i>	<u>43,859</u>	<u>156,794</u>	<u>200,653</u>
<b>Cash Disbursements</b>			
Current:			
General Government	11,728	2,095	13,823
Public Safety	0	50,697	50,697
Public Works	22,222	116,564	138,786
Debt Service:			
Principal Retirement	5,589	0	5,589
Interest and Fiscal Charges	0	1,262	1,262
<i>Total Cash Disbursements</i>	<u>39,539</u>	<u>170,618</u>	<u>210,157</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>4,320</u>	<u>(13,824)</u>	<u>(9,504)</u>
<b>Other Financing Receipts</b>			
Sale of Capital Assets	1,578	0	1,578
<i>Total Other Financing Receipts</i>	<u>1,578</u>	<u>0</u>	<u>1,578</u>
<i>Net Change in Fund Cash Balances</i>	5,898	(13,824)	(7,926)
<i>Fund Cash Balances, January 1</i>	<u>14,324</u>	<u>87,042</u>	<u>101,366</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	62,978	62,978
Committed	0	10,240	10,240
Assigned	20,222	0	20,222
<i>Fund Cash Balances, December 31</i>	<u>\$20,222</u>	<u>\$73,218</u>	<u>\$93,440</u>

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

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2014**

	General	Special Revenue	Totals (Memorandum Only)
<b>Cash Receipts</b>			
Property and Other Local Taxes	\$15,355	\$45,032	\$60,387
Intergovernmental	25,313	111,461	136,774
Earnings on Investments	63	53	116
Miscellaneous	1,487	10	1,497
<i>Total Cash Receipts</i>	<u>42,218</u>	<u>156,556</u>	<u>198,774</u>
<b>Cash Disbursements</b>			
Current:			
General Government	21,077	3,193	24,270
Public Safety	0	38,200	38,200
Public Works	3,497	118,855	122,352
Debt Service:			
Principal Retirement	5,364	0	5,364
<i>Total Cash Disbursements</i>	<u>29,938</u>	<u>160,248</u>	<u>190,186</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>12,280</u>	<u>(3,692)</u>	<u>8,588</u>
<b>Other Financing Disbursements</b>			
Other Financing Uses	(1,488)	0	(1,488)
<i>Total Other Financing Disbursements</i>	<u>(1,488)</u>	<u>0</u>	<u>(1,488)</u>
<i>Net Change in Fund Cash Balances</i>	10,792	(3,692)	7,100
<i>Fund Cash Balances, January 1</i>	<u>3,532</u>	<u>90,734</u>	<u>94,266</u>
<b>Fund Cash Balances, December 31</b>			
Restricted	0	87,042	87,042
Assigned	14,324	0	14,324
<i>Fund Cash Balances, December 31</i>	<u>\$14,324</u>	<u>\$87,042</u>	<u>\$101,366</u>

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

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**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 the Orange Township, Meigs County (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance and fire protection. The Township contracts with the Tupper Plains Fire Department to provide fire protection services.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool. Note 7 to the financial statements provides additional information for these entities

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

**B. Accounting Basis**

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Board recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit.

**C. Deposits**

The Township had one primary, interest bearing checking account during the audit period.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash that is restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds account for proceeds from specific sources (other than from private-purpose trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

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

Fire Levy Fund - This fund receives property tax money for fire protection services for the Township.

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**E. 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, object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also 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 2015 and 2014 budgetary activity appears in Note 3.

**F. Fund Balance**

Fund balance is divided into three 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. 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.

**2. Assigned**

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

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**F. Fund Balance (Continued)**

**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.

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.

**G. Property, Plant, and Equipment**

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

**2. Equity in Pooled Deposits**

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

	2015	2014
Demand deposits	\$101,366	\$93,440

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

**3. Budgetary Activity**

Budgetary activity for the years ending December 31, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$31,762	\$45,437	\$13,675
Special Revenue	144,801	156,794	11,993
Total	\$176,563	\$202,231	\$25,668

  

2015 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$52,850	\$39,539	\$13,311
Special Revenue	220,950	170,618	50,332
Total	\$273,800	\$210,157	\$63,643

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**3. Budgetary Activity (Continued)**

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$30,932	\$42,218	\$11,286
Special Revenue	144,928	156,556	11,628
Total	\$175,860	\$198,774	\$22,914

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$95,445	\$31,463	\$63,982
Special Revenue	174,138	160,371	13,767
Total	\$269,583	\$191,834	\$77,749

**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. Debt**

Debt outstanding at December 31, 2015 was as follows:

	Principal	Interest Rate
Truck Loan	\$24,779	4.1%

The Township obtained a loan through Farmers Bank to finance the purchase of a truck. The purchased truck collateralized the loan.

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

Year ending December 31:	Truck Loan
2016	\$6,851
2017	6,851
2018	6,851
2019	6,851
Total	\$27,404

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**6. Retirement System**

The Township's elected officials and employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2015 and 2014, OPERS members contributed 10%, respectively, of their gross salaries and the Township contributed an amount equaling 14%, respectively, of participants' gross salaries. The Township has paid all contributions required through December 31, 2015.

The Township Trustees have elected not to participate in OPERS. The Trustees all contribute to Social Security.

**7. Risk Management**

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

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

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2015, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Assets	\$37,313,311	\$35,970,263
Liabilities	8,418,518	8,912,432
Net Position	\$28,894,793	\$27,057,831

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

**7. Risk Management (Continued)**

At December 31, 2015 and 2014, respectively, the liabilities above include approximately \$7.8 and \$8.2 million of estimated incurred claims payable. The assets above also include approximately \$7.7 and \$7.2 million of unpaid claims to be billed to approximately 989 members and 957 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2015, the Township's share of these unpaid claims collectible in future years is approximately \$3,000.

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

<b>Contributions to OTARMA</b>	
<b><u>2015</u></b>	<b><u>2014</u></b>
\$5,772	\$5,774

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

**8. 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.

**9. Subsequent Events**

The Board of Trustees approved the purchase of a New Holland tractor from Cross and Sons on May 7, 2016.

**10. Going Concern**

At December 31 2015, the Township's General Fund had a fund cash balance of \$20,222. However, the Township has unposted findings for adjustment totaling \$33,874 against the General Fund and in favor of the restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$13,652. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the General Fund.



# Dave Yost • Auditor of State

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

Orange Township  
Meigs County  
42455 Woods Road  
Coolville, Ohio 45723

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 Orange Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements and have issued our report thereon dated September 14, 2016, wherein we noted the Township followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. We issued an adverse opinion on the General and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for current audit findings for adjustments. Additionally, we noted there is uncertainty about the Township's ability to continue as a going concern.

### ***Internal Control Over Financial Reporting***

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings that we consider material weaknesses. We consider Findings 2015-003 and 2015-004 to be material weaknesses.

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***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings as items 2015-001 and 2015-002.

***Entity's Responses to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit the Township's responses 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 communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

September 14, 2016

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2015-001**

**Noncompliance and Finding for Adjustment**

Ohio Rev. Code § 505.24(C) provides that the township trustees may be paid on a salary basis in equal monthly installments, the board of trustees must unanimously pass a resolution to allow it. To be paid from any fund(s) other than the general fund, the resolution must also specify the proportions of the salary that are to be paid from each fund. If trustees use the salary method and are compensated from funds other than the general fund, they must certify the percentage of the time spent working on matters that are to be paid from funds other than the general fund. Trustees must complete a certification prior to receiving his/her pay for that pay period. The certification must be done individually, but is not required to be notarized. The certification is not required to be a time log. Rather, all that is required is a statement detailing the percentage of time that the trustee/fiscal officer spent during that pay period providing services related to each fund to be charged. If 100% of the compensation of the township trustee is to be paid from the general fund, no certification is required.

During 2014 and 2015, the Trustees did not complete the required certifications but were compensated partially from the Gasoline Tax and Motor Vehicle License Tax Funds. As a result, the Township paid General Fund related activities from the Gasoline Tax Fund totaling \$12,948 and the Motor Vehicle License Tax Fund totaling \$761 in 2014 and from the Gasoline Fund totaling \$11,025 and the Motor Vehicle License Tax Fund totaling \$9,140 in 2015.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the General Fund in the amount of \$33,874 and in favor of the Gasoline Tax Fund and Motor Vehicle License Tax Funds in the amounts of \$23,973 and \$9,901, respectively.

The Board of Trustees should review Auditor of State Bulletin 2011-007 and adopt formal administrative procedures regarding documenting the time spent by the Board of Trustees on various duties. Once these administrative procedures are established, Trustee salary and related benefits should be charged to the actual funds in accordance with the signed certifications of payroll.

**Official's Response:** The required certifications were prepared and submitted for the first six months of 2014 and we will ensure they are prepared and submitted for 2016 and beyond.

**FINDING NUMBER 2015-002**

**Noncompliance**

Ohio Rev. Code § 505.262(A) authorizes a board of township trustees to issue notes of the township to finance installment payment purchases of equipment, buildings, and sites for any lawful township purpose. All notes issues shall be pursuant to Revised Code § 133.20. Furthermore, 1996 Op. Atty. Gen. No. 1996-048 provides that Ohio Rev. Code § 505.262(A) does not grant explicitly or implicitly the authority of the township to grant a security interest in the property purchased by the installment contract.

Contrary to the requirements set forth in Ohio Rev. Code § 133.20, the Trustees obtained a promissory note in the amount of \$40,879 in 2012. This note was still outstanding as of December 31, 2015.

The Trustees should authorize only the issuance of notes pursuant to Ohio Rev. Code § 133.20.

**Official's Response:** We have never borrowed money on equipment this way, but any future purchased we will look into the method of financing.

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-003**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

The Fiscal Officer posted certain revenue and expenditures transactions incorrectly resulting in material audit adjustments as identified below.

For the year ended December 31, 2014, the following items were noted:

- Homestead and rollback receipts were posted 100% to the General Fund rather than allocated to the various funds according to the Statements of Assessment of Taxes. They were also posted at net, rather than at gross and misclassified as property and other local taxes rather than as intergovernmental receipts. Audit adjustments were proposed as follows:
  - General Fund: a decrease in property and other local taxes of \$8,938, an increase in intergovernmental receipts of \$2,626 and an increase in general government expenditures of \$662.
  - Road and Bridge Fund: an increase in property and other local taxes of \$286, an increase in intergovernmental receipts of \$1,883, an increase in miscellaneous receipts of \$10 and an increase in general government expenditures of \$456.
  - Fire Levy Fund: an increase in property and other local taxes of \$1,236, an increase in intergovernmental receipts of \$5,297 and an increase in general government expenditures of \$1,282.
- The General Fund equity (ending fund balance) was not properly classified in accordance with GASB 54 and Auditor of State (AOS) Audit Bulletin (AB) 2011-004. Since the 2015 General Fund appropriations exceeded 2015 estimated receipts, the entire December 31, 2014 fund balance of \$14,324 should have been classified as assigned rather than as unassigned.

For the year ended December 31, 2015, the following items were noted:

- The General Fund equity (ending fund balance) was not properly classified in accordance with GASB 54 and AOS AB 2011-004. Since the 2016 General Fund appropriations exceeded 2016 estimated receipts, the entire December 31, 2015 fund balance of \$20,222 should have been classified as assigned rather than as unassigned.
- The Road and Bridge Special Revenue Fund equity (ending fund balance) was improperly classified as restricted rather than as committed since the levy was within the 10 mil limitation according to GASB 54. As a result, committed fund balance increase by \$8,517 and restricted fund balance decreased by the same amount.

The following represents the cumulative effect of the adjustments listed above on the respective fund cash balances as of December 31, 2015:

Fund	Unadjusted 12/31/15 Fund Balance	Audit Adjustment	Adjusted 12/31/15 Fund Balance
1000 General	\$27,196	(\$6,974)	\$20,222
2031 Gasoline Tax	8,517	1,723	10,240
2191 Fire Levy	99	5,251	5,350

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)**

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

**FINDING NUMBER 2015-003 (Continued)**

**Material Weakness (Continued)**

These misstatements were caused by confusion over proper classifications and a lack of management oversight. As a result, significant adjustments and reclassifications, with which the Township's management agrees, were made to the financial statements and ledgers, and are reflected in the accompanying financial statements.

The Fiscal Officer should refer to the Ohio Township Handbook for proper classification and take additional care in posting transactions to the Township's ledgers in order to ensure the financial statements reflect the appropriate sources of the receipts and expenditures.

**Official's Response:** We were unaware of how to break out portions of Homestead and Rollback by Fund. As to these amounts and other mispostings, we will correct these going forward.

**FINDING NUMBER 2015-004**

**Material Weakness**

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

At December 31, 2015, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system for the following funds:

Fund	Estimated Receipts, as Posted	Estimated Receipts, as Certified
General Fund	\$49,165	\$31,762
Motor Vehicle License Tax	16,010	12,839
Gasoline Tax	89,045	84,038
Fire Levy	68,400	36,416

At December 31, 2015, appropriations as approved by the Trustees did not agree to the Township's accounting system for the following funds partially due to supplemental appropriations posted to the system by the Fiscal officer without formal approval by the Trustees:

Fund	Appropriations, as Posted	Appropriations, as Adopted
General Fund	\$53,088	\$52,850
Gasoline Tax	128,669	127,250
Fire Levy	54,000	51,000

At December 31, 2014, appropriations as approved by the Trustees did not agree to the Township's accounting system for the following funds partially due to supplemental appropriations posted to the system by the Fiscal officer without formal approval by the Trustees:

ORANGE TOWNSHIP  
MEIGS COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2015 AND 2014  
(Continued)

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

FINDING NUMBER 2015-004 (Continued)

Material Weakness (Continued)

Fund	Appropriations, as Posted	Appropriations, as Adopted
General Fund	\$33,148	\$95,445
Motor Vehicle License Tax	20,170	23,600
Gasoline Tax	107,089	100,100
Road and Bridge	6,300	10,856

Because the budgetary information posted to the accounting system differed from the amounts formally approved, the Trustees lost some degree of control and was unable to effectively monitor and report its budget to actual status throughout the year. Note 3 to the financial statements was adjusted to reflect the amounts formally approved by the Trustees.

The Trustees and Fiscal Officer should review accuracy of posted budgetary amounts in the UAN system and periodically reconcile these amounts to formally approved amounts. Further, any supplemental appropriations should be formally approved by the Trustees following the same procedures as original appropriations.

**Official's Response:** We will see that all changes are reported to the County Auditor and Trustees for review and approval.

**ORANGE TOWNSHIP  
MEIGS COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2015 AND 2014**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2013-001	Ohio Rev. Code § 505.24 - Trustees salaries were not paid from appropriate funds.	No	Repeated as Finding Number 2015-001.
2013-002	Ohio Rev. Code § 5705.41(B) – Expenditures exceeded appropriations	Yes	N/A
2013-003	Ohio Rev. Code § 505.262(A) – Unallowable debt was issued in 2012.	No	Repeated as Finding Number 2015-002.
2013-004	Material Weakness for material misstatements requiring financial statement adjustment.	No	Repeated as Finding Number 2015-003.

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# Dave Yost • Auditor of State

**ORANGE TOWNSHIP**

**MEIGS 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  
SEPTEMBER 29, 2016**