



Dave Yost • Auditor of State

**ORANGE TOWNSHIP
MEIGS COUNTY
DECEMBER 31, 2017 AND 2016**

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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, 2017 and 2016.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions Ohio Revised Code § 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 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 2 of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 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 for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2017 and 2016, and the respective 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. Ohio Rev. Code § 507.09(C) requires the township fiscal officer 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 2017, the Township charged Trustees' salaries entirely to the Gasoline Tax Fund without the required certifications as a single certification was done at year end noting 100% of time was spent on Gasoline Tax Fund activities. During 2016, the Township charged Trustees' salaries to the Gasoline Tax Fund without the required certifications. During 2017 and 2016, the township charged the Fiscal Officer's salary to the Gasoline Tax Fund without the required certifications. During the prior audit of 2015 and 2014, the Township charged Trustees' salaries to the Gasoline Tax and Motor Vehicle License Tax Funds without the required certifications, which was not adjusted in the prior audit.

The adjustment required to record these salaries in the General Fund, Gasoline Tax Fund, and Motor Vehicle License Tax Fund for the current and audit period follows:

	General Fund	Gasoline Tax	Motor Vehicle License Tax
January 1, 2016 fund balance over/(under) statement	\$33,874	(\$23,973)	(\$9,901)
2016 disbursements over/(under) statement	(12,486)	12,486	0
December 31, 2016 fund balance over/(under) statement	46,360	(36,459)	(9,901)
2017 disbursements over/(under) statement	(31,020)	31,020	0
December 31, 2017 fund balance over/(under) statement	77,380	(67,479)	(9,901)

Opinion on Regulatory Basis of Accounting

In our opinion, because of the effects of the December 31, 2017, 2016, 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, 2017 and 2016, 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 2.

Emphasis of Matter

As discussed in Note 11 to the financial statements, the Township has suffered recurring losses. Note 11 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 November 14, 2018, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

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

November 14, 2018

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Orange Township*Meigs 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, 2017*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$18,681	\$76,071	\$94,752
Intergovernmental	26,824	111,497	138,321
Earnings on Investments	41	51	92
Miscellaneous	1,430	0	1,430
<i>Total Cash Receipts</i>	<u>46,976</u>	<u>187,619</u>	<u>234,595</u>
Cash Disbursements			
Current:			
General Government	21,014	1,937	22,951
Public Safety	0	75,071	75,071
Public Works	4,645	120,374	125,019
Debt Service:			
Principal Retirement	10,872		10,872
Interest and Fiscal Charges	1,511	1,135	2,646
<i>Total Cash Disbursements</i>	<u>38,042</u>	<u>198,517</u>	<u>236,559</u>
<i>Net Change in Fund Cash Balances</i>	8,934	(10,898)	(1,964)
<i>Fund Cash Balances, January 1</i>	<u>12,738</u>	<u>69,211</u>	<u>81,949</u>
Fund Cash Balances, December 31			
Restricted	0	46,758	46,758
Committed	0	11,555	11,555
Assigned	21,672	0	21,672
<i>Fund Cash Balances, December 31</i>	<u>\$21,672</u>	<u>\$58,313</u>	<u>\$79,985</u>

See accompanying notes to the basic financial statements.

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Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, 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.

Public Entity Risk Pools

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

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Township’s financial statements consist of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types.

Fund Accounting

The Township uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The funds of the Township are presented below:

General Fund The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Fund:

Gasoline Tax Fund The gasoline tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire Levy Fund The fire levy fund receives property tax money to provide fire protection.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 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.

Budgetary Process

The Ohio Revised Code requires that each be budgeted annually.

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2017 budgetary activity appears in Note 4.

Deposits

All cash assets of the township are maintained in an interest bearing checking account.

Fund Balance

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

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

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the Fire Levy Fund by \$17,071 for the year ended December 31, 2017.

Note 4 – Budgetary Activity

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

2017 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$39,524	\$46,976	\$7,452
Special Revenue	160,664	187,619	26,955
Total	\$200,188	\$234,595	\$34,407

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 – Budgetary Activity (Continued)

2017 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$46,524	\$38,042	\$8,482
Special Revenue	202,890	198,517	4,373
Total	\$249,414	\$236,559	\$12,855

Note 5 – 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:

	2017
Demand deposits	\$79,985

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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.

Note 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.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 7 – Risk Management (Continued)

Casualty and Property Coverage

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

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

Financial Position

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

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

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

<u>2017 Contributions to OTARMA</u> \$6,021

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.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2017.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan 1.0 percent during calendar year 2017.

Note 10 – Debt

Debt outstanding at December 31, 2017 was as follows:

	Principal	Interest Rate
Truck Loan	\$12,896	4.10%
Tractor Loan	33,363	3.75%
Total	\$46,259	

During 2012, the Township obtained a loan through Farmers Bank to finance the purchase of a truck. The purchased truck collateralized the loan. During 2016, the Township obtained a loan through Farmers Bank to finance the purchase of a tractor. The purchased tractor collateralized the loan.

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

Year ending December 31:	Truck Loan	Tractor Loan
2018	\$6,851	\$6,324
2019	6,851	6,324
2020	0	6,324
2021	0	6,324
2022	0	6,324
2023	0	6,323
Total	\$13,702	37,943

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 11 - Going Concern

At December 31 2017, the Township's General Fund had a fund cash balance of \$21,672. However, the Township has unposted findings for adjustment totaling \$77,380 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 \$55,708. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the General Fund.

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Orange Township*Meigs 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, 2016*

	General	Special Revenue	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$14,976	\$62,241	\$77,217
Intergovernmental	29,284	141,792	171,076
Earnings on Investments	34	67	101
Miscellaneous	407	480	887
<i>Total Cash Receipts</i>	<u>44,701</u>	<u>204,580</u>	<u>249,281</u>
Cash Disbursements			
Current:			
General Government	27,464	934	28,398
Public Safety	0	75,333	75,333
Public Works	21,155	109,340	130,495
Capital Outlay	38,176	21,980	60,156
Debt Service:			
Principal Retirement	5,851	0	5,851
Interest and Fiscal Charges	0	1,000	1,000
<i>Total Cash Disbursements</i>	<u>92,646</u>	<u>208,587</u>	<u>301,233</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(47,945)</u>	<u>(4,007)</u>	<u>(51,952)</u>
Other Financing Receipts			
Loans Issued	38,176	0	38,176
Sale of Capital Assets	2,285	0	2,285
<i>Total Other Financing Receipts</i>	<u>40,461</u>	<u>0</u>	<u>40,461</u>
<i>Net Change in Fund Cash Balances</i>	(7,484)	(4,007)	(11,491)
<i>Fund Cash Balances, January 1</i>	<u>20,222</u>	<u>73,218</u>	<u>93,440</u>
Fund Cash Balances, December 31			
Restricted	0	54,772	54,772
Committed	0	14,439	14,439
Assigned	7,000	0	7,000
Unassigned (Deficit)	5,738	0	5,738
<i>Fund Cash Balances, December 31</i>	<u>\$12,738</u>	<u>\$69,211</u>	<u>\$81,949</u>

See accompanying notes to the basic financial statements.

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Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of 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.

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

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

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Fund Accounting

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Special Revenue Funds These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

Gas Tax Fund The gas tax fund accounts for and reports that portion of the State gasoline tax restricted for maintenance and repair of roads within the Township.

Fire Levy Fund The fire levy fund receives property tax money to provide fire protection.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code § 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.

Budgetary Process

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

Appropriations Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. Appropriations lapse at year-end.

Estimated Resources Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must approve estimated resources.

Encumbrances The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year-end are canceled, and reappropriated in the subsequent year.

A summary of 2016 budgetary activity appears in Note 4.

Deposits

All cash assets of the township are maintained in an interest bearing checking account.

Fund Balance

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

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

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Balance (Continued)

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

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

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

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

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.

Note 3 – Compliance

Contrary to Ohio law, budgetary expenditures exceeded appropriation authority in the General and Fire Levy Funds by \$31,896 and \$38,774, respectively, for the year ended December 31, 2016.

Note 4 – Budgetary Activity

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

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$33,078	\$85,162	\$52,084
Special Revenue	146,564	204,580	58,016
Total	\$179,642	\$289,742	\$110,100

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 4 – Budgetary Activity (Continued)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$60,750	\$92,646	(\$31,896)
Special Revenue	212,098	208,587	3,511
Total	\$272,848	\$301,233	(\$28,385)

Note 5 – 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:

	2016
Demand deposits	\$81,949

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation.

Note 6 – Property Taxes

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

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.

Note 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.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 7 – Risk Management (Continued)

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, 2016, 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, 2016.

	2016
Assets	\$38,473,283
Liabilities	8,244,140
Net Position	\$30,229,143

At December 31, 2016 the liabilities above include approximately \$7.4 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,010 member governments in the future, as of December 31, 2016. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2016, 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.

<u>2016 Contributions to OTARMA</u> \$5,831

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.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants’ gross salaries. The Township has paid all contributions required through December 31, 2016.

Note 9 – Postemployment Benefits

OPERS offers cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan 2.0 percent during calendar year 2016.

Note 10 – Debt

Debt outstanding at December 31, 2016 was as follows:

	Principal	Interest Rate
Truck Loan	\$18,957	4.10%
Tractor Loan	38,176	3.75%
Total	\$57,133	

During 2012, the Township obtained a loan through Farmers Bank to finance the purchase of a truck. The purchased truck collateralized the loan. During 2016, the Township obtained a loan through Farmers Bank to finance the purchase of a tractor. The purchased tractor collateralized the loan.

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

Year ending December 31:	Truck Loan	Tractor Loan
2017	\$6,851	\$6,324
2018	6,851	6,324
2019	6,851	6,324
2020	0	6,324
2021	0	6,324
2022-2023	0	12,647
Total	\$20,553	44,267

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2016

Note 11 - Going Concern

At December 31 2016, the Township's General Fund had a fund cash balance of \$12,738. However, the Township has unposted findings for adjustment totaling \$46,360 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 \$33,622. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the General Fund.

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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 the cash balances, receipts, and disbursements by fund type of Orange Township, Meigs County, Ohio (the Township), as of and for the years ended December 31, 2017 and December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018, 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 Fund and Special Revenue Funds because the Township declined to fully adjust its financial statements or accounting records for current and prior 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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

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 2017-001, 2017-002, 2017-005 and 2017-006 to be material weaknesses.

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. 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 2017-001 through 2017-004.

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.



Dave Yost
Auditor of State
Columbus, Ohio

November 14, 2018

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016**

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

FINDING NUMBER 2017-001

Noncompliance Citation/Material Weakness/Finding for Adjustment

Ohio Rev. Code § 505.24(D) provides that the township trustees may be paid on a salary basis in equal monthly installments, if the board of trustees unanimously passes 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 2017, the Trustees completed certifications only at year end rather than monthly and were compensated entirely from the Gasoline Tax Fund. During 2016, the Trustees were partially compensated from the Gasoline Tax Fund and did not complete certifications. As a result, the Township paid General Fund related activities from the Gasoline Tax Fund totaling \$26,340 during 2017 and \$10,258 during 2016.

The previous audit disclosed that 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 \$70,472 and in favor of the Gasoline Tax Fund and Motor Vehicle License Tax Funds in the amounts of \$60,571 and \$9,901, respectively.

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

The Board of Trustees should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

Official's Response: We are aware and will get this taken care of as soon as possible.

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-002

Noncompliance Citation/Material Weakness/Finding for Adjustment

Ohio Rev. Code § 507.09(E) states the township fiscal officer shall be compensated from the township general fund or from other township funds based on the proportion of time the township fiscal officer spends providing services related to each Fund. A township fiscal officer must document the amount of time the township fiscal officer spends providing services related to each fund by certification specifying the percentage of time spent working on matters to be paid from the township general fund or from other township funds in such proportions as the kinds of services performed.

During 2017 and 2016, the township fiscal officer was partially compensated from the Gasoline Tax Fund in the amounts of \$4,680 and \$2,228, respectively, but did not complete payroll certifications. As a result, the township paid General Fund activities from the Gasoline Tax Fund.

In accordance with the foregoing facts, a Finding for Adjustment is hereby issued against the Township's General Fund in the amount of \$6,908 and in favor of the Gasoline Tax Fund.

The Fiscal Officer has not posted these adjustments to the Township records, and therefore, they are not reflected in the accompanying financial statements.

The Fiscal Officer should review Auditor of State Bulletins 2013-002 and 2011-007 and adopt formal administrative procedures regarding completion of the required certifications when compensated from funds other than the General Fund.

Official's Response: We will correct.

FINDING NUMBER 2017-003

Noncompliance Citation

Ohio Rev. Code Chapter 133 authorizes certain methods by which subdivisions may incur debt.

Ohio Rev. Code § 133.22 states that a subdivision may issue anticipatory-securities if it meets the requirements outlined in the statute.

Ohio Rev. Code § 133.10 permits a subdivision to issue anticipation securities in anticipation of current property tax revenues or in anticipation of current revenues in and for any fiscal year from any source or combination of sources, including distributions of any federal or state monies, other than the proceeds of property taxes levied by the subdivision.

Ohio Rev. Code § 133.15 states that a subdivision is authorized to issue securities for the purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with other persons, to acquire, improve, or construct.

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-003 (Continued)

Noncompliance Citation (Continued)

Ohio Rev. Code § 133.18 states that the taxing authority of a subdivision, may by legislation submit to the electors of the subdivision the question of issuing any general obligation bonds, for one purpose, that the subdivision has power or authority to issue.

During 2017 and 2016, the Township made principal payments on outstanding promissory notes in the amount of \$10,874 and \$5,822, respectively. The promissory notes were used by the Township to purchase a truck and a tractor.

This type of debt is not authorized in Ohio Rev. Code Chapter 133. Without a statutory provision authorizing this method for incurring debt, the Township was not permitted to use such a method. The Township had no statutory authority to incur debt through either installment loans or promissory notes with any banking institutions.

The Township should consult with legal counsel before incurring debt to determine if the debt is authorized by statute.

Official's Response: We will look into this on our next purchase.

FINDING NUMBER 2017-004

Noncompliance Citation

Ohio Rev. Code § 5705.41(B) prohibits subdivisions or taxing authorities from expending money unless it has been appropriated.

At December 31, 2017 expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
Fire Levy	\$58,000	\$75,071	(\$17,071)

At December 31, 2016 expenditures exceeded appropriations, as follows:

Fund	Approved Appropriations	Expenditures	Variance
General	\$60,750	\$92,646	(\$31,896)
Fire Levy	\$36,598	\$75,372	(\$38,774)

The practice of allowing expenditures to exceed appropriations could result in negative fund balances for the Township.

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-004 (Continued)

Noncompliance Citation (Continued)

The Fiscal Officer should compare expenditures to appropriations on a monthly basis. If appropriations in addition to those already adopted will be needed, the Board of Trustees should adopt additional appropriations, if possible, to prevent expenditures from exceeding appropriations or reduce spending. The Fiscal Officer should deny requests for payment when appropriations are not available.

Official's Response: Agree with this finding.

FINDING NUMBER 2017-005

Material Weakness

In our audit engagement letter, as required by AU-Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility by 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 and .A16

Sound accounting practices require accurately posting estimated receipts and appropriations to the ledgers to provide information for budget versus actual comparison and to allow the Board to make informed decisions regarding budgetary matters.

The Appropriation resolution and subsequent amendments establish the legal spending authority of the Township and the appropriation ledger provides the process by which the Township controls spending, it is therefore necessary the amounts appropriated by the Board are precisely stated and accurately posted to the appropriation ledger.

The original certificate and amendments establish the amounts available for expenditures for the Township and the receipts ledger provides the process by which the Township controls what is available, it is therefore necessary the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

At December 31, 2017, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system for the following funds:

Fund	Amount Approved	UAN System	Variance
General	\$39,524	\$56,342	\$16,818
Motor Vehicle	13,211	17,136	3,925
Gas Tax	84,418	89,383	4,965
Road and Bridge	11,438	12,438	1,000
Fire	51,597	58,880	7,283

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

At December 31, 2016, estimated receipts as approved by the Budget Commission did not agree to the Township's accounting system for the following funds:

Fund	Amount Approved	UAN System	Variance
General	\$33,078	\$47,390	\$14,312
Motor Vehicle	12,890	13,025	135
Gas Tax	85,609	90,050	4,441
Road and Bridge	11,528	12,500	972
Fire	36,537	69,300	32,763

At December 31, 2017, 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	Amount Approved	UAN System	Variance
General	\$46,524	\$52,074	\$5,550
Motor Vehicle	13,190	14,690	1,500
Gas Tax	111,600	124,600	13,000
Fire	58,000	70,300	12,300

At December 31, 2016, 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	Amount Approved	UAN System	Variance
Fire	\$36,598	\$69,298	\$32,700

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system. The appropriations (and/or amendments thereof) approved by Board were not properly posted to the accounting system. Additionally, the approved Certificate of Estimated Resources (and/or amendments thereof) was not properly posted to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of the budgetary information in the financial statements.

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-005 (Continued)

Material Weakness (Continued)

To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports to help ensure amended certificates of resources and appropriations have been properly posted to the ledgers.

Official's Response: Agree with this finding.

FINDING NUMBER 2017-006

Material Weakness

In our audit engagement letter, as required by AU- § 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility by 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 § 210 paragraphs .A14 and .A16

The following errors were noted in the financial statements that required audit adjustment or reclassification:

During 2016:

- 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 Taxes rather than as Intergovernmental Revenue. Audit adjustments were proposed as follows:
 - General Fund Taxes were decreased \$12,395 and Intergovernmental receipts were increased \$5,161; Road and Bridge Fund Taxes were decreased \$2,288 and Intergovernmental receipts were increased \$8,315; and Fire Fund Taxes were decreased \$3,833 and Intergovernmental receipts were increased \$5,040.
- Fire Department pass-through grant was not recorded in the Fire Fund. Intergovernmental receipts and Public Safety disbursements increased \$21,235.
- Loan proceeds and the corresponding disbursements were not recorded. General Fund Loan Proceeds and Capital Outlay were increased \$38,176.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$7,000.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Road and Bridge Fund balance as restricted instead of committed, in the amount of \$8,412.

**ORANGE TOWNSHIP
MEIGS COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017 AND 2016
(Continued)**

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

FINDING NUMBER 2017-006 (Continued)

Material Weakness (Continued)

- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Road and Bridge Fund balance as restricted instead of committed, in the amount of \$8,412.

During 2017:

- 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 Taxes rather than as Intergovernmental receipts. Audit adjustments were proposed as follows:
 - General Fund Taxes were decreased \$8,795 and Intergovernmental receipts were increased \$2,535; Road and Bridge Fund Intergovernmental receipts were increased \$1,760; and Fire Fund Intergovernmental receipts were increased \$4,500.
- Fire Department pass-through grant was not recorded in the Fire Fund. Intergovernmental receipts and Public Safety disbursements increased \$10,000.
- Motor Vehicle License Tax Fund Intergovernmental receipts of \$1,553 were incorrectly posted to the Gasoline Tax Fund, therefore, Gasoline Tax Intergovernmental receipts were decreased \$1,134 and Gas Tax Miscellaneous receipts were decreased \$419.
- General Fund debt interest payment of \$1,511 was incorrectly posted as Other Financing Sources.
- The prior audit adjustments were posted in 2016 and again in 2017. Adjustments were necessary to reverse the 2017 double posting, resulting in increasing the January 1, 2017 General Fund beginning balance by \$6,974 and decreasing the January 1, 2017 Road and Bridge Fund beginning balance by \$1,723 and the Fire Fund beginning balance by \$5,251.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.176 require reporting amounts as assigned when subsequent appropriations exceed estimated receipts. The Township incorrectly reported the assigned portion of the General Funds' cash fund balance as unassigned, in the amount of \$21,672.
- Statement No. 54 of the Governmental Accounting Standards Board (GASB) defines the reporting of fund balances on the financial statements and was codified as follows: GASB Cod. 1800.170-172 requires reporting funds whose revenue had constraints imposed by the Board, which could not be changed without Board approval, as committed. The Township reported the Road and Bridge Fund balance as restricted instead of committed, in the amount of \$5,491.

These misstatements were caused by confusion over proper classifications and a lack of management oversight. The audited financial statements reflect the adjustments noted above and the Fiscal Officer posted the adjustments to the accounting system.

The Fiscal Officer should review the Ohio Township Handbook for guidance on the correct line item to post various receipts and expenditures and also review Auditor of State Bulletin 2011-004 for proper reporting of fund balances to ensure the financial statements are complete and accurate.

Official's Response: Agree with this Finding.

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**ORANGE TOWNSHIP
MEIGS COUNTY**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2017 AND 2016**

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code §505.24 - Trustees salaries were not paid from appropriate funds.	Not Corrected	Will correct for 2018.
2015-002	Ohio Rev. Code §505.262(A) -Unallowable debt was issued in 2012	Not Corrected	Will handle properly upon next purchase/loan.
2015-003	Material Weakness for material misstatements requiring financial statement adjustment.	Not Corrected	Will correct on future receipts.
2015-004	Material Weakness for approved estimated receipts and appropriations varying from amounts in UAN	Not Corrected	Will correct on future receipts.

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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
NOVEMBER 27, 2018**