

Orange Township
Meigs County
Regular Audit
For the Years Ended December 31, 2019 and 2018



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OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
Orange Township
42455 Woods Road
Coolville, Ohio 45723

We have reviewed the *Independent Auditor's Report* of Orange Township, Meigs County, prepared by Millhuff-Stang, CPA, Inc., for the audit period January 1, 2018 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Orange Township is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 20, 2020

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Orange Township
Meigs County
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For the Years Ended December 31, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Orange Township
Meigs County
42455 Woods Road
Coolville, Ohio 45723

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, (the Township) as of and for the years ended December 31, 2019 and 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Though the Township does not intend these statements to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Additional Opinion Qualification* and *Unmodified Opinion* paragraphs 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, 2019 and 2018, or changes in financial position thereof for the years then ended.

Basis for Additional Opinion Qualification

The Fiscal Officer did not complete payroll certifications when salaries were paid from funds other than the General Fund for 2017 and 2016, as well as 2015 and 2014. Had these posting errors been properly posted to the financial statements and the accounting system, the General Fund cash fund balance would have decreased \$77,380, and the Gasoline Tax Fund and Motor Vehicle License Tax Fund cash fund balances would have increased \$67,479 and \$9,901, respectively. Due to the impact these adjustments would have on the General Fund the Township declined to make these adjustments in this audit period.

Additional Opinion Qualification

In our opinion, because of the effects of the fund cash balance misstatements discussed in the *Basis for Additional Opinion Qualification* paragraph, the financial statements referred to above do not present fairly, in all material respects, the cash balances, by fund type of Orange Township, Meigs County, as of December 31, 2019 and 2018, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash receipts and disbursements by fund type, of Orange Township, Meigs County, and the related notes, for the years ended December 31, 2019 and 2018 in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

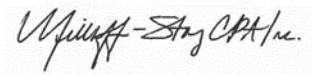
Emphasis of Matter

As discussed in Note 11 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

As discussed in Note 12 to the financial statements, the Township has suffered recurring losses, and has unposted audit adjustments that will significantly impact the General Fund. Note 12 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 June 5, 2020, 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.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 5, 2020

Orange Township
Meigs County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2019

	Governmental Fund Types		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$19,408	\$87,263	\$106,671
Intergovernmental	27,228	177,556	204,784
Earnings on Investments	504	244	748
Miscellaneous	2,078	27,900	29,978
Total Cash Receipts	49,218	292,963	342,181
Cash Disbursements:			
Current:			
General Government	23,894	1,786	25,680
Public Safety	0	103,666	103,666
Public Works	15,485	133,827	149,312
Capital Outlay	11,019	25,483	36,502
Debt Service:			
Redemption of Principal	0	11,860	11,860
Interest and Other Fiscal Charges	0	1,347	1,347
Total Cash Disbursements	50,398	277,969	328,367
Total Cash Receipts Over (Under) Cash Disbursements	(1,180)	14,994	13,814
Other Financing Receipts:			
Other Debt Proceeds	11,019	0	11,019
Total Other Financing Receipts	11,019	0	11,019
Net Change in Fund Cash Balances	9,839	14,994	24,833
Fund Cash Balances, January 1	(4,509)	69,524	65,015
Restricted for:			
Other Purposes	0	23,595	23,595
Fire Operations	0	20,657	20,657
Road and Bridge Maintenance and Improvements	0	37,414	37,414
Committed	0	2,852	2,852
Unassigned	5,330	0	5,330
Fund Cash Balances, December 31	\$5,330	\$84,518	\$89,848

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

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

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

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

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

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

Basis of Accounting

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

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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 cancelled and reappropriated in the subsequent year.

A summary of 2019 budgetary activity appears in Note 4.

Deposits

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

Capital Assets

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

Fund Balance

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

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

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

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

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Note 3 - Compliance

Contrary to Ohio law, expenditures exceeded appropriations in the General, Gasoline Tax, Road and Bridge, and Miscellaneous Special Revenue Funds at December 31, 2019.

Per State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), expenditures made by a governmental unit should serve a public purpose. During 2019, the Township incurred late fees, interest and penalties, and sales tax assessments, which are not deemed appropriate expenditures of public funds. In addition, the Township also had unsupported credit card transactions, for which proper public purpose could not be assessed.

The Township incurred debt that is not allowable per Ohio Revised Code Chapter 133.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2019 was as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$43,241	\$60,237	\$16,996
Special Revenue	183,607	292,963	109,356
Total	\$226,848	\$353,200	\$126,352

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$27,334	\$50,398	(\$23,064)
Special Revenue	244,850	277,969	(33,119)
Total	\$272,184	\$328,367	(\$56,183)

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, 2019 was as follows:

Demand deposits	\$89,848
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Deposits are insured by the Federal Depository Insurance Corporation.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

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 statement includes 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 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. 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, 2019.

Social Security

The Township had two officials who contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Officials contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salary. The Township has paid all contributions required through December 31, 2019.

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2019.

Note 9 - Risk Management

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

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 9 - Risk Management (Continued)

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

Casualty and Property Coverage

The Pool is a member of American Public Entity Excess Pool (APEEP), which is also administered by York. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2018, 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, 2018 (the latest information available):

Assets	\$33,097,416
Liabilities	<u>7,874,610</u>
Net Position	<u><u>\$25,222,806</u></u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2019, 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.

2019 Contributions to OTARMA
<hr/>
\$6,042

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, 2019

Note 10 - Debt

Debt outstanding at December 31, 2019 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Ditcher Loan	\$11,019	4.88%
Tractor Loan	23,174	3.75%
Total	\$34,193	

During 2012, the Township obtained a loan through Farmers Bank and Savings Company to finance the purchase of a truck. The purchased truck collateralized the loan. The final payment on this loan was paid in 2019. During 2016, the Township obtained a loan through Farmers Bank and Savings Company to finance the purchase of a tractor. The tractor collateralized the loan. With the bank’s approval, in 2019, this tractor was traded for a used 6320 John Deere tractor, which became the new collateral for the loan. There were no other changes to the terms of the loan. In 2019, the Township also obtained a loan through Farmers Bank and Savings Company to finance the purchase of a Tiger Model 22-17OH – Ditch Cleaner for \$11,019. The ditch cleaner collateralized the loan.

Amortization

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

<u>Year Ending</u> <u>December 31:</u>	<u>Ditcher Loan</u>	<u>Tractor Loan</u>
2020	\$2,551	\$6,324
2021	2,551	6,324
2022	2,551	6,324
2023	2,551	6,324
2024	2,551	0
Total	\$12,755	\$25,296

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact of the Township’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Note 12 – Going Concern

At December 31, 2019, the Township’s General Fund had a fund cash balance of \$5,330. However, the Township has unposted findings for adjustment totaling \$77,380 against the General Fund in favor of restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$72,050. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the General Fund.

Orange Township
Meigs County
Combined Statement of Cash Receipts, Cash Disbursements and
Changes in Fund Cash Balances
All Governmental Fund Types
For the Year Ended December 31, 2018

	<u>Governmental Fund Types</u>		Totals (Memorandum Only)
	General	Special Revenue	
Cash Receipts:			
Property and Other Local Taxes	\$20,823	\$92,219	\$113,042
Intergovernmental	27,495	120,253	147,748
Earnings on Investments	326	191	517
Miscellaneous	1,067	579	1,646
Total Cash Receipts	49,711	213,242	262,953
Cash Disbursements:			
Current:			
General Government	32,363	1,511	33,874
Public Safety	0	73,354	73,354
Public Works	23,086	120,486	143,572
Capital Outlay	48,092	180	48,272
Debt Service:			
Redemption of Principal	6,325	4,900	11,225
Interest and Other Fiscal Charges	0	1,600	1,600
Total Cash Disbursements	109,866	202,031	311,897
Total Cash Receipts Over (Under) Cash Disbursements	(60,155)	11,211	(48,944)
Other Financing Receipts and Disbursements:			
Other Financing Uses	(462)	0	(462)
Sale of Capital Asset	288	0	288
Total Other Financing Receipts and Disbursements	(174)	0	(174)
Special Items	34,148	0	34,148
Net Changes in Fund Cash Balances	(26,181)	11,211	(14,970)
Fund Cash Balances, January 1	21,672	58,313	79,985
Restricted for:			
Other Purposes	0	2,573	2,573
Fire Operations	0	18,988	18,988
Road and Bridge Maintenance and Improvements	0	35,961	35,961
Committed	0	12,002	12,002
Unassigned (Deficit)	(4,509)	0	(4,509)
Fund Cash Balances, December 31	(\$4,509)	\$69,524	\$65,015

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 1 - Reporting Entity

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

Public Entity Risk Pool

The Township participates in the Ohio Township Risk Management Authority (OTARMA), a public entity risk pool. Note 9 to the financial statement provides additional information for this entity.

The Township's management believes this financial statement presents all activities for which the Township is financially accountable.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

The Township's financial statement consists of a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all governmental fund types which is organized on a fund type basis.

Fund Accounting

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

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

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

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

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

Basis of Accounting

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

This statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D) permit.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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 cancelled and reappropriated in the subsequent year.

A summary of 2018 budgetary activity appears in Note 4.

Deposits

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

Capital Assets

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

Fund Balance

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

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

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

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

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

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

Special Items

Special items are transactions or events that are within the control of the Township and that are either unusual in nature or infrequent in occurrence. During 2018, the Township received a payment from Aerotek to reimburse the Township for damages caused by AEP to roads in the Township. The settlement was in the amount of \$34,148 and was recorded as a special item in the accompanying financial statement.

Note 3 - Compliance

Contrary to Ohio law, appropriations exceeded estimated resources in the General and Gasoline Tax Funds at December 31, 2018.

Contrary to Ohio law, expenditures exceeded appropriations in General, Road and Bridge, and Fire Levy Funds at December 31, 2018.

Per State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), expenditures made by a governmental unit should serve a public purpose. During 2019, the Township incurred late fees, interest and penalties, and sales tax assessments, which are not deemed appropriate expenditures of public funds. In addition, the Township also had unsupported credit card transactions, for which proper public purpose could not be assessed.

Contrary to Ohio law, the Township had a negative fund balance in the General Fund at December 31, 2018.

Note 4 - Budgetary Activity

Budgetary activity for the year ending December 31, 2018 was as follows:

Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$40,935	\$84,147	\$43,212
Special Revenue	176,788	213,242	36,454
Total	\$217,723	\$297,389	\$79,666

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 4 - Budgetary Activity (Continued)

Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$70,264	\$110,328	(\$40,064)
Special Revenue	222,100	202,031	20,069
Total	\$292,364	\$312,359	(\$19,995)

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, 2018 was as follows:

Demand deposits	\$65,015
-----------------	----------

Deposits are insured by the Federal Depository 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 statement includes 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 - Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2018.

Social Security

The Township had two officials who contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Officials contributed 6.2 percent of their gross salaries. The Township contributed an amount equal to 6.2 percent of participant's gross salary. The Township has paid all contributions required through December 31, 2018.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 8 - Postemployment Benefits

OPERS offers a cost-sharing, multiple-employer defined benefit postemployment plan, which includes 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 Traditional Pension Plan and Combined Plan was 0 percent during the calendar year 2018.

Note 9 - 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, 2018, 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, 2018:

Assets	\$33,097,416
Liabilities	<u>7,874,610</u>
Net Position	<u>\$25,222,806</u>

At December 31, 2018, the liabilities above include approximately \$7.9 million of estimated incurred claims payable. The assets above also include approximately \$7.2 million of unpaid claims to be billed to approximately 1,018 member governments in the future, as of December 31, 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, 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.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 9 - Risk Management (Continued)

2018 Contributions
to OTARMA

\$6,055

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

Note 10 - Debt

Debt outstanding at December 31, 2018 was as follow:

	<u>Principal</u>	<u>Interest Rate</u>
Truck Loan	\$6,601	4.10%
Tractor Loan	28,433	3.75%
Total	<u>\$35,034</u>	

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

Amortization

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

<u>Year Ending December 31:</u>	<u>Truck Loan</u>	<u>Tractor Loan</u>
2019	\$6,851	\$6,324
2020	0	6,324
2021	0	6,324
2022	0	6,324
2023	0	6,324
Total	<u>\$6,851</u>	<u>\$31,620</u>

Note 11 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township. In addition, the impact of the Township's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Orange Township
Meigs County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 12 – Going Concern

At December 31, 2018, the Township's General Fund had a deficit fund cash balance of \$4,509. However, the Township has unposted findings for adjustment totaling \$77,380 against the General Fund in favor of restricted funds. If the Township posted the findings for adjustment, the General Fund would have a deficit fund cash balance of \$81,889. The Township officials are taking steps to adopt budgets to ameliorate the low balance and stabilize the General Fund.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Board of Trustees
Orange Township
Meigs County
42455 Woods Road
Coolville, Ohio 45723

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Orange Township, Meigs County (the Township) as of and for the years ended December 31, 2019 and 2018, and the related notes to the financial statements and have issued our report thereon dated June 5, 2020, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. We issued a qualified opinion on the fund cash balances of the General Fund and Special Revenue Funds because the Township declined to fully adjust its financial statements and accounting records for prior audit findings for adjustments. Additionally, we noted there is uncertainty about the Township's ability to continue as a going concern and that the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and responses as items 2019-001, 2019-002, 2019-004, 2019-006, 2019-008, 2019-009, and 2019-011, that we consider to be material weaknesses.

Orange Township
Meigs County

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an
Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Page 2

Compliance and Other Matters

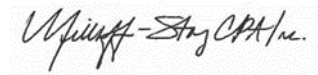
As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2019-003, 2019-005 through 2019-007, and 2019-010.

Township's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Millhuff-Stang, CPA, Inc.
Portsmouth, Ohio

June 5, 2020

Orange Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

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

Finding Number 2019-001

Material Weakness – Financial Reporting

A monitoring system by the Township should be in place to prevent or detect misstatements for the accurate presentation of the Township’s financial statements. During the course of testing, we found misclassifications in miscellaneous, intergovernmental, and property tax receipts, as well as fund balances. We also noted certain intergovernmental receipts were posted to incorrect funds. We noted that property taxes were posted net of fees and that there were unrecorded debt proceeds. Additionally, errors in the notes to the financial statements were noted. These misstatements, misclassifications and disclosure errors were corrected in the accompanying financial statements and notes.

In addition to the errors noted above, we noted that adjustments identified in the previous audit remain unposted due to financial constraints on the General Fund. Accordingly, these adjustments are not reflected in the accompanying financial statements.

We recommend the Township implement additional control procedures related to financial reporting that enable management to identify, prevent, detect, and correct potential misstatements in the financial statements and related notes.

Township Response:

The Township chose not to respond.

Finding Number 2019-002

Material Weakness – Budgetary Information Within Accounting System

Accurate budgetary information within the Township’s accounting system is pertinent to ensure that the Township has accurate and complete information for decision-making processes. Instances were identified in both years of the audit period where budgetary allocations recorded within UAN were not in agreement with the Board-approved documents. Further, beginning balances per client accounting system did not agree to beginning balances per the certificate of estimated resources filed with the County Auditor.

We recommend the Township review its budgeting and accounting processes and implement the appropriate steps to ensure that budgeted information within the accounting system is in agreement with formal approved documents. The Township should also ensure the certificates of estimated resources are amended when changes to cash balances, such as from audit adjustments or error corrections, occur.

Township Response:

The Township chose not to respond.

Finding Number 2019-003

Noncompliance Citation – Ohio Revised Code Section 5705.41(B)

Ohio Revised Code Section 5705.41(B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures in excess of appropriations in the General Fund, Road and Bridge Fund, and Fire Levy Fund at December 31, 2018. The Township had expenditures in excess of appropriations in the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Miscellaneous Special Revenue Fund at December 31, 2019.

Orange Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-003 (Continued)

Noncompliance Citation – Ohio Revised Code Section 5705.41(B) (Continued)

The Township should periodically compare its budgeted to actual activity to ensure that expenditures are limited to adopted appropriations. When expenditure levels appear to trend higher than expected, the Township should authorize modifications to appropriations, within the limitation of estimated resources.

Township Response:

The Township chose not to respond.

Finding Number 2019-004

Material Weakness – Board Meeting Minutes

Ohio Revised Code Section 121.22(C) states that all meetings of any public body are to be open to the public at all times. A member of a public body must be present in person at a meeting open to the public to be considered present or to vote and for determining whether a quorum is present. The minutes of a regular or special meeting of any such public body shall be promptly recorded and open to public inspection. The minutes need only reflect the general subject matter of discussions in executive sessions. Ohio Revised Code Section 121.22(H) states that a resolution, rule, or formal action of any kind is invalid unless adopted in an open meeting of the public body. A resolution, rule, or formal action adopted in an open meeting that results from deliberations in a meeting not open to the public is invalid unless the deliberations were for a purpose specifically authorized above. The minutes were not signed by the Fiscal Officer in December 2019 and there were multiple meetings where the prior minutes were not reviewed and approved. Also, pay rate information for one new hire employee was not documented. Further, the Township failed to include the adoption of its 2019 appropriation measure in the minutes, as well as the establishment of a new FEMA fund in 2018.

Meeting minutes should be signed by the Township Fiscal Officer and the Board President, indicating the official minutes of record. Further, the Township should ensure monitoring processes are effectively functioning to ensure minutes contain all required actions of the Board, including adoption of appropriation measures and the establishment of new funds.

Township Response:

The Township chose not to respond.

Finding Number 2019-005

Noncompliance Citation – Ohio Revised Code Section 5705.39

Ohio Revised Code Section 5705.39 states in part that total appropriations from each fund shall not exceed the total estimated resources. No appropriation measure is effective until the county auditor files a certificate that the total appropriations from each fund do not exceed the total official estimate or amended official estimate. During 2018, appropriations exceeded estimated resources in the General Fund by \$7,657 and in the Gasoline Tax Fund by \$4,001.

The Township should implement the appropriate procedures to assure that appropriations do not exceed the amount of estimated resources.

Township Response:

The Township chose not to respond.

Orange Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-006

Noncompliance Citation/Material Weakness – Proper Public Purpose

State ex. Rel. McClure v. Hagerman, 155 Ohio St. 320 (1951), provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a “proper public purpose” rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialize by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005 Expenditure of Public Funds/Proper “Public Purpose” states that the Auditor of State’s Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

During testing of nonpayroll expenditures, we noted late fees of \$3.43 paid by the Township in 2019. Additionally, while testing payroll expenditures, it was noted that the Township filed multiple OPERS reports after the due date and was assessed late penalty and interest charges of \$57.88 (\$50.28 paid in 2018 and \$7.60 paid in 2019). In testing of credit card transactions, we noted late penalty and interest charges of \$322.95 (\$39.00 for 2018 and \$283.95 for 2019) and sales tax charges of \$414.07 (\$308.30 for 2018 and \$105.77 for 2019). Additionally, there were unsupported credit card transactions in the amount of \$1,129.79 (\$867.08 for 2018 and \$262.71 for 2019) during the audit period.

Incurrence of late fees, penalties and interest, and sales tax assessments for exempt organizations, as well as unsupported expenditures, could result in the assessment of findings for recovery against officials of the Township by the Auditor of State.

The Township should ensure that all invoices are paid by the listed due date and that all retirement withholdings are paid each month. Additionally, they should adopt proper control procedures to ensure that all credit card transactions are supported by an original invoice and that all transactions are exempt from sales tax. The Township should also improve and enforce their credit card policy, consider limiting the use of the credit card and stripping the use for employees who fail to follow the policy.

Township Response:

The Township chose not to respond.

Finding Number 2019-007

Noncompliance Citation – Ohio Revised Code Chapter 133

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

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

Ohio Revised Code Section 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 Revised Code Section 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 and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-007 (Continued)

Noncompliance Citation – Ohio Revised Code Chapter 133 (Continued)

Ohio Revised Code Section 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 2019, the Township issued a promissory note to purchase a ditcher. No payments were due on the ditcher in 2019.

This type of debt is not authorized in Ohio Revised 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.

Township Response:

The Township chose not to respond.

Finding Number 2019-008

Material Weakness – Bank Reconciliation Controls

Having sound internal control procedures in place over the reconciliation process is essential to ensure the Township's cash balances are accurate. Preparing reconciliations timely is imperative to ensure that errors are quickly identified and resolved.

We noted untimely completion of bank reconciliations for both 2018 and 2019. Further, in testing bank reconciliations, we noted that bank statements for the main checking account run through the middle of the month. The Fiscal Officer is not reconciling the account for the end of each month. We also noted items included in the outstanding payments/deposits listings that should not have been included. Additionally, during testing of nonpayroll expenditures, we noted check numbers in UAN that did not agree to the bank statement.

We recommend that the Township Fiscal Officer timely prepare detailed bank reconciliations at the end of each month. We also recommend that the Township Fiscal Officer maintain accurate listings of outstanding checks and deposits in transit. Further, we recommend that the Fiscal Officer take due care when inputting financial activity into the accounting system to ensure that activity maintained within the accounting system accurately reflects documentation in the source documents.

Township Response:

The Township chose not to respond.

Orange Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-009

Material Weakness – Segregation of Duties

When designing the public office's system of internal control and the specific control activities, management should plan for adequate segregation of duties or compensating controls. The small size of the Township's staff did not allow for an adequate segregation of duties; the Fiscal Officer performed all accounting functions. It is therefore important that the Board of Trustees function as a finance committee to monitor financial activity closely. There was no documentation the Board of Trustees reviewed bank reconciliations during the audit period. Also, the Board of Trustees is only reviewing summary reports for revenues, expenditures and fund balances and not reviewing any detailed accounting reports.

We recommend that the Trustees review and approve bank reconciliations monthly. Regular review of this information is a valuable tool for management to identify and react to unexpected activity and also to identify and correct errors in a timely manner. We also recommend that the Fiscal Officer provide the Trustees with detailed revenue, expenditure and fund reports for review at each meeting. These reviews should be evidenced by documentation in the minutes of the Township meetings and bank reconciliations should be initiated by Trustees. The minute record should also document which reports are reviewed by the Trustees each month.

Township Response:

The Township chose not to respond.

Finding Number 2019-010

Noncompliance Citation – Negative Fund Balance

Ohio Revised Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund cash balance indicates that money from one fund was used to cover the expenses of another fund. The Township had a negative fund balance in General Fund at year-end 2018.

The Township should implement the appropriate procedures to ensure that funds are available prior to expending money from a fund or transferring funds timely to ensure that deficit spending does not occur.

Township Response:

The Township chose not to respond.

Finding Number 2019-011

Material Weakness – Supporting Documentation

Ohio Revised Code Section 149.351(A) states that all records are property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42 of the Revised Code or under the records programs established by the boards of trustees of state-supported institutions of higher education under Section 149.33 of the Revised Code. Such records shall be delivered by outgoing officials and employees to their successors and shall not be otherwise removed, transferred, or destroyed unlawfully.

We noted two instances in which timesheets could not be provided to support employee pay testing. Additionally, for the timesheets that were reviewed, it was noted that employees do not document what projects they are working on each day to support payment from various funds.

Orange Township
Meigs County
Schedule of Findings and Responses
For the Years Ended December 31, 2019 and 2018

Finding Number 2019-011 (Continued)

Material Weakness – Supporting Documentation (Continued)

During testing of nonpayroll expenditures, it was noted that the Fiscal Officer receives an annual reimbursement of \$300 for telephone reimbursement. The Fiscal Officer noted that the reimbursement was approved by resolution in prior years, but could not provide a copy to support the expenditure. Also, in 2018, the Township made a payment for purchase of property in an amount that was \$2,000 more than the contractually agreed purchase price. The Fiscal Officer noted that the Board agreed to make this payment as the Township was occupying the property and the payment was delayed due to issues getting the survey completed. Authorization of this payment was not documented in the board minutes.

The Township should implement procedures to ensure timesheets are maintained for each employee paycheck issued and that timesheets document daily what projects employees are working on. The Township should ensure that resolutions are maintained to support reimbursements to employees for business expenses personally incurred. If the original resolution cannot be located a new resolution should be drafted and approved by the Trustees. Further, the Township should also consult with the Internal Revenue Code to ascertain whether such reimbursements require inclusion in an employee's or elected official's taxable income. Lastly, when changes to previously agreed-upon agreements or contracts are necessary, revisions and their authorizations should be properly documented.

Township Response:

The Township chose not to respond.

Orange Township
Meigs County
Schedule of Prior Audit Findings
For the Years Ended December 31, 2019 and 2018

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
Finding 2017-001	Noncompliance/Material Weakness/Finding for Adjustment – Payroll Certifications	Yes	
Finding 2017-002	Noncompliance/Material Weakness/Finding for Adjustment – Payroll Certifications	Yes	
Finding 2017-003	Noncompliance Citation – Ohio Revised Code Chapter 133	No	Reissued as Finding 2019-007
Finding 2017-004	Noncompliance Citation – Ohio Revised Code Section 5705.41(B)	No	Reissued as Finding 2019-003
Finding 2017-005	Material Weakness – Budgetary Information Within Accounting System	No	Reissued as Finding 2019-002
Finding 2017-006	Material Weakness – Financial Reporting	No	Reissued as Finding 2019-001

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OHIO AUDITOR OF STATE KEITH FABER



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
JULY 30, 2020**