

ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO

REGULAR AUDIT

**FOR THE YEARS ENDED
DECEMBER 31, 2020 & 2019**

OHIO AUDITOR OF STATE
KEITH FABER



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

We have reviewed the *Independent Auditor's Report* of Orange Township, Delaware County, prepared by Julian & Grube, Inc., for the audit period January 1, 2019 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

December 06, 2021

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**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

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Independent Auditor's Report

Orange Township
Delaware County
1680 E. Orange Road
Lewis Center, Ohio 43035

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts, and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of Orange Township, Delaware County, Ohio.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), as described in Note 2 for the year ended December 31, 2020 and Note 1 for the year ended December 31, 2019. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Orange Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Orange Township's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 2 for the year ended December 31, 2020 and Note 1 for the year ended December 31, 2019, the financial statements are prepared by Orange Township, on the basis of the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP), to meet the requirements of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D).

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 for the year ended December 31, 2020 and Note 1 for the year ended December 31, 2019 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Though Orange 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 "Unmodified 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 Orange Township, as of December 31, 2020 and 2019, and the respective changes in net position, thereof for the years then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances, receipts and disbursements for each governmental fund type as of and for the years ended December 31, 2020 and December 31, 2019, and related notes of Orange Township, in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) as described in Note 2 for the year ended December 31, 2020 and Note 1 for the year ended December 31, 2019.

Emphasis of Matters

As described in Note 15 to the financial statements, during 2020, Orange Township adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. As described in Note 14 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of Orange Township. We did not modify our opinions regarding these matters.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021 on our consideration of Orange Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Orange Township's 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 Orange Township's internal control over financial reporting and compliance.



Julian & Grube, Inc.
August 27, 2021

Orange Township
Delaware County, Ohio
Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2020

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$ 2,590,407	\$ 9,462,987	\$ -	\$0	\$ 12,053,394
Charges for Services	3,488	64,136	-	0	67,624
Licenses, Permits and Fees	164,043	240,817	-	0	404,860
Intergovernmental	353,980	2,965,728	361,019	0	3,680,727
Earnings on Investments	200,003	11,882	4	36	211,925
Miscellaneous	602,153	586,103	-	0	1,188,256
<i>Total Cash Receipts</i>	<u>3,914,074</u>	<u>13,331,653</u>	<u>361,023</u>	<u>36</u>	<u>17,606,786</u>
Cash Disbursements					
Current:					
General Government	1,842,720	250,000	-	0	2,092,720
Public Safety	-	7,984,260	-	0	7,984,260
Public Works	463,423	107,575	-	0	570,998
Health	-	347,333	-	0	347,333
Conservation-Recreation	-	757,259	-	0	757,259
Capital Outlay	37,498	2,583,781	361,019	0	2,982,298
<i>Total Cash Disbursements</i>	<u>2,343,641</u>	<u>12,030,208</u>	<u>361,019</u>	<u>0</u>	<u>14,734,868</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,570,433</u>	<u>1,301,445</u>	<u>4</u>	<u>36</u>	<u>2,871,918</u>
<i>Net Change in Fund Cash Balances</i>	1,570,433	1,301,445	4	36	2,871,918
<i>Fund Cash Balances, January 1 (Restated)</i>	<u>4,476,934</u>	<u>16,976,296</u>	<u>89,740</u>	<u>3,836</u>	<u>21,546,806</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 6,047,367</u>	<u>\$ 18,277,741</u>	<u>\$ 89,744</u>	<u>\$3,872</u>	<u>\$ 24,418,724</u>

See accompanying notes to the financial statements

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Delaware County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, conservation and recreation services, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Delaware County Sheriff's department to provide security of persons and property. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

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 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.

Motor Vehicle License Tax Fund - The motor vehicle license tax fund accounts for and reports that portion of motor vehicle license registration fees restricted for maintenance and repair of roads within the Township.

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

Road Levy Fund - This fund receives property taxes that are used for road maintenance and improvements. This fund also includes transfers from the Township's General Fund used for the same purpose.

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

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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

Future Fire Station – This fund was set up to build a new fire station which was completed.

Public Works Commission Projects – This fund is used to account for revenues and expenditures related to Ohio Public Works Commission (OPWC) projects.

Permanent Funds These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant permanent fund:

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

Basis of Accounting

These financial statements follow the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 (D). This basis is similar to the cash receipts and disbursements accounting basis. The 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 Section 117.38 and Ohio Administrative Code Section 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. Unencumbered appropriations lapse at year end.

Estimated Resources

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

Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2020 budgetary activity appears in Note 3.

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Deposits and Investments

The Township's accounting includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During 2020, investments were limited to Fifth Third investments, including: negotiable certificates of deposit (negotiable CDs), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), a U.S. Government money market mutual fund, municipal bonds, as well as investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the regulatory cash basis of accounting, investments are reported at cost, except for U.S. Government money market mutual funds which are recorded at share values the mutual fund reports and investments in STAR Ohio which valued at net asset value (NAV) per share as discussed below.

The Township invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Township measures its investment in STAR Ohio at the NAV per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

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.

Accumulated Leave

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

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. For regulatory purposes, nonspendable fund balance includes unclaimed monies that are required to be held for five years before they may be utilized by the Township and the nonspendable portion of the corpus in permanent funds.

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
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

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*. For regulatory purposes, assigned fund balance in the general fund is limited to encumbrances outstanding at year end.

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.

For regulatory purposes, limited disclosure related to fund balances is included in Note 13.

Note 3 – Budgetary Activity

Budgetary activity for the year ending December 31, 2020 follows:

2020 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,591,211	\$3,914,074	\$322,863
Special Revenue	13,527,161	13,331,653	(195,508)
Capital Projects	1	361,023	361,022
Permanent	0	36	36
Total	\$17,118,373	\$17,606,786	\$488,413

2020 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$4,456,852	\$2,363,419	\$2,093,433
Special Revenue	25,585,003	13,225,364	12,359,639
Capital Projects	39,730	361,019	(321,289)
Permanent	0	0	0
Total	\$30,081,585	\$15,949,802	\$14,131,783

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 4 – Deposits and Investments

To improve cash management, cash received by the Township is pooled. Monies for all fund are maintained in this pool. The Ohio Revised Code prescribes allowable deposits and investments. A summary of the Township’s deposit and investment accounts are as follows:

	2020
<i>Cash Management Pool:</i>	
Demand deposits	\$5,146,250
Certificates of deposit	3,214
Other time deposits (savings and NOW accounts)	595,667
Total deposits	5,745,131
Fifth Third Bank Investments	8,655,120
STAR Ohio	10,017,963
STAR Plus	510
Total investments	18,673,593
<i>Total carrying amount of deposits and investments held in the Pool (ties to FS)</i>	\$24,418,724

Deposits

Deposits are insured by the Federal Deposit Insurance Corporation; or collateralized through the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Township’s investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S government money market mutual fund carry a rating of AAAM by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities (FFCB and FHLMC) were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. The negotiable CDs were not rated but are fully insured by the FDIC. The Township’s investment policy does not address credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 5 – Noncompliance

The Township did not record on-behalf grant activity in noncompliance with Ohio Revised Code Section 5705.42.

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 non-business, owner occupancy, and homestead exemption credits and/or homestead and rollback deductions. The financial statements include these credits and/or deduction 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

Workers' Compensation

Workers' Compensation coverage is provided by the State of Ohio. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

Commercial Insurance

The Township has obtained commercial insurance through Argonaut Insurance Company Inc. for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

Note 8 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10% of their gross salaries and the Township contributed an amount equaling 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2020.

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Ohio Police and Fire Retirement System

Some Townships certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25% of their wages. The Township contributed to OP&F an amount equal to 24% of fulltime fire fighters' wages. The Township has paid all contributions required through December 31, 2020.

Note 9 - Employee Benefits

The Township is fully insured for employee medical health insurance through a traditional plan with United Health Care (UHC). The risk of loss transfers to UHC upon payment of the premiums. Medical health insurance is offered to most Township employees. The Township also pays for some of the employee copay/coinsurance costs through the "difference" card.

Note 10 – Postemployment Benefits

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement, and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the traditional pension plan and combined plan was 0 percent during calendar year 2020. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2020. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

Note 11 – Construction and Contractual Commitments

The Township has two major construction projects planned:

1. Orange Road project with a total cost of approximately \$3.5 million of which \$500,000 will come from the County and OPWC.
2. North Road Park project with a total cost of approximately \$2 million.

Note 12 – Contingent Liabilities

The Township is defendant in two lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

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

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 13 – Fund Balances

Included in fund balance are amounts the Township cannot spend, including the balance of unclaimed monies, which cannot be spent for five years and the unexpendable corpus of the permanent funds. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilities effective cash planning and control. At year end the balances of these amounts were as follows:

Fund Balances	General	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable:						
Unclaimed Monies						\$0
Corpus					3,679	3,679
Outstanding Encumbrances	19,773	1,195,154				1,214,927
Total	<u>\$19,773</u>	<u>\$1,195,154</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,679</u>	<u>\$1,218,606</u>

The fund balance of special revenue funds is either restricted or committed. The fund balance of debt service funds and capital projects funds are restricted, committed, or assigned. The fund balance of permanent funds that is not part of the non-spendable corpus is either restricted or committed. These restricted, committed, and assigned amounts in the special revenue, debt service, capital projects, and permanent funds including the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

Note 14 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the Township. The Township’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the Township’s future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the Township received \$1,184,238 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund (See AOS Bulletin 2020-008.)

Note 15 – Change in Accounting Principle

For 2020, the Township has made changes to their cash basis reporting model. These changes include modifications to the definition of fiduciary funds, adding a separate combined statement of additions, deductions, and changes in fund balances (regulatory cash basis) – all fiduciary fund types, and removing the fund balance classifications from the combined statement of receipts, disbursements, and changes in fund balances (regulatory cash basis) – all governmental fund types. However, the Township did not have any fiduciary funds to report for 2020. Therefore, there was no effect of this change to beginning cash balances.

Orange Township
Delaware County
Notes to the Financial Statements
For the Year Ended December 31, 2020

Note 16 – Fund Balance Restatement

For 2020, the Township restated the beginning General, Road Levy (Special Revenue Fund), and Special Fire Levy (Special Revenue Fund) fund balances due to voiding of checks issued in during the prior year and later re-issued in 2021. Below are the restated fund amounts:

	Balance January 1, 2020	Adjustment	Restated Balance
General Fund	\$4,475,218	\$1,716	\$4,476,934
Road Levy Fund	\$5,463,457	\$9,912	\$5,473,369
Special Fire Levy Fund	\$5,137,540	\$9,588	\$5,147,128

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN FUND BALANCES (REGULATORY CASH BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Fund</u>	<u>Total (Memorandum Only)</u>
Cash Receipts					
From local sources:					
Property and other local taxes	\$ 2,644,762	\$ 9,360,007	\$ -	\$ -	\$ 12,004,769
Charges for services	3,986	424,812	-	-	428,798
Licenses, permits and fees	235,933	269,019	-	-	504,952
Intergovernmental	353,935	1,491,827	-	-	1,845,762
Earnings on investments	461,511	20,226	10	87	481,834
Miscellaneous	91,510	233,643	-	-	325,153
Total cash receipts	<u>3,791,637</u>	<u>11,799,534</u>	<u>10</u>	<u>87</u>	<u>15,591,268</u>
Cash Disbursements					
Current:					
General government	2,012,632	-	-	-	2,012,632
Public safety	-	8,152,052	-	-	8,152,052
Public works	498,682	318,526	-	-	817,208
Health	-	15,736	-	-	15,736
Conservation and recreation	-	981,484	-	-	981,484
Capital outlay	26,166	1,927,944	17,927	-	1,972,037
Total cash disbursements	<u>2,537,480</u>	<u>11,395,742</u>	<u>17,927</u>	<u>-</u>	<u>13,951,149</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,254,157</u>	<u>403,792</u>	<u>(17,917)</u>	<u>87</u>	<u>1,640,119</u>
Other financing sources					
Transfers in	5,768,890	5,768,890	-	-	11,537,780
Transfers (out)	(5,768,890)	-	(5,768,890)	-	(11,537,780)
Total other financing sources	<u>-</u>	<u>5,768,890</u>	<u>(5,768,890)</u>	<u>-</u>	<u>-</u>
Net change in fund cash balances	1,254,157	6,172,682	(5,786,807)	87	1,640,119
Fund cash balances, January 1	<u>3,221,061</u>	<u>10,784,114</u>	<u>5,876,547</u>	<u>3,749</u>	<u>19,885,471</u>
Fund cash balances, December 31					
Nonspendable	-	-	-	3,836	3,836
Restricted	-	11,493,339	89,740	-	11,583,079
Committed	-	5,463,457	-	-	5,463,457
Assigned	603,142	-	-	-	603,142
Unassigned	3,872,076	-	-	-	3,872,076
Fund cash balances, December 31	<u>\$ 4,475,218</u>	<u>\$ 16,956,796</u>	<u>\$ 89,740</u>	<u>\$ 3,836</u>	<u>\$ 21,525,590</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Orange Township, Delaware County, Ohio (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, conservation and recreation services, cemetery maintenance, fire protection, and emergency medical services. The Township contracts with the Delaware County Sheriff's department to provide security of persons and property.

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

B. Basis of Presentation

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

Basis of Accounting

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

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

C. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

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

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Road Levy Fund - This fund receives property taxes that are used for road maintenance and improvements. This fund also includes transfers from the Township's General Fund used for the same purpose.

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

3. Capital Projects Funds

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

Future Fire Station – This fund was set up to build a new fire station which was completed.

Public Works Commission Projects – This fund is used to account for revenues and expenditures related to Ohio Public Works Commission (OPWC) projects.

4. Permanent Fund

These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry). The Township had the following significant Permanent Fund:

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

D. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over and need not be reappropriated.

A summary of 2019 budgetary activity appears in Note 2.

E. Deposits and Investments

The Township's accounting includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

During 2019, investments were limited to negotiable certificates of deposit (negotiable CDs), Federal Farm Credit Bank (FFCB), Federal Home Loan Mortgage Corporation (FHLMC), a U.S. Government money market mutual fund, and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). In accordance with the regulatory cash basis of accounting, investments are reported at cost, except for U.S. Government money market mutual funds which are recorded at share values the mutual fund reports and investments in STAR Ohio which valued at net asset value (NAV) per share as discussed below.

The Township invested in STAR Ohio. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The Township measures its investment in STAR Ohio at the NAV per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

F. Capital Assets

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

G. Accumulated Leave

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

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance

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

1. Nonspendable

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The Township had \$3,836 in nonspendable fund balance at December 31, 2019.

2. Restricted

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

3. Committed

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

4. Assigned

Assigned 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. The Township has reported assigned fund balance for encumbrances (\$107,102) and the excess of subsequent year's appropriations over estimated receipts (\$496,040).

5. Unassigned

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

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

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - BUDGETARY ACTIVITY

Budgetary activity for the year ended December 31, 2019 follows:

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted Receipts	Actual Receipts	Variance
General	\$ 9,482,979	\$ 9,560,527	\$ 77,548
Special Revenue	18,615,342	17,568,424	(1,046,918)
Capital Projects	-	10	10
Permanent	-	87	87
Total	<u>\$ 28,098,321</u>	<u>\$ 27,129,048</u>	<u>\$ (969,273)</u>

Fund Type	2019 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 9,801,460	\$ 8,428,775	\$ 1,372,685
Special Revenue	21,804,110	12,134,369	9,669,741
Capital Projects	<u>5,826,547</u>	<u>5,801,317</u>	<u>25,230</u>
Total	<u>\$ 37,432,117</u>	<u>\$ 26,364,461</u>	<u>\$ 11,067,656</u>

NOTE 3 – DEPOSITS AND INVESTMENTS

The Township maintains a deposits and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. State statutes classify monies held by the Township into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 – DEPOSITS AND INVESTMENTS – (Continued)

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
9. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the Township and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all Township deposits was \$6,053,256 and the bank balance of all Township deposits was \$6,350,431. Of the bank balance, \$250,510 was covered by the FDIC and \$6,099,921 was collateralized through the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Township has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the Township and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2019, the Township financial institutions were approved for a collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the Township to a successful claim by the FDIC.

B. Investments

As of December 31, 2019, the Township had the following investments and maturities:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>6 Months or Less</u>	<u>Investment Maturities</u>		
			<u>7 to 12 Months</u>	<u>19 to 24 Months</u>	<u>Greater than 24 Months</u>
STAR Ohio	\$ 6,962,375	\$ 6,962,375	\$ -	\$ -	\$ -
FFCB	2,000,000	-	-	-	2,000,000
FHLMC	500,000	-	-	-	500,000
Negotiable CD	5,226,000	720,000	599,000	735,000	3,172,000
US Govt Money Market Mutual Fund	783,959	783,959	-	-	-
Total	\$ 15,472,334	\$ 8,466,334	\$ 599,000	\$ 735,000	\$ 5,672,000

The weighted average maturity of investments is 1.48 years.

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

Interest Rate Risk: Interest rate risk arises when potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the Township's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: STAR Ohio and the U.S government money market mutual fund carry a rating of AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The federal agency securities (FFCB and FHLMC) were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

The negotiable CDs were not rated but are fully insured by the FDIC. The Township's investment policy does not address credit risk beyond the requirements of State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The Township places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the Township at December 31, 2019:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>% to Total</u>
STAR Ohio	\$ 6,962,375	45.00
FFCB	2,000,000	12.93
FHLMC	500,000	3.23
Negotiable CD	5,226,000	33.78
US Govt Money Market Mutual Fund	<u>783,959</u>	<u>5.06</u>
Total	<u>\$ 15,472,334</u>	<u>100.00</u>

C. Reconciliation of Cash and Investments to the Financial Statement

The following is a reconciliation of cash and investments as reported in the note disclosure above to cash and investments as reported on the financial statement as of December 31, 2019:

<u>Cash and investments per note disclosure</u>	
Carrying amount of deposits	\$ 6,053,256
Investments	<u>15,472,334</u>
Total	<u>\$ 21,525,590</u>

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - DEPOSITS AND INVESTMENTS - (Continued)

<u>Fund cash balance</u>	
General	\$ 4,475,218
Special Revenue	16,956,796
Capital Projects	89,740
Permanent	<u>3,836</u>
Total	<u>\$ 21,525,590</u>

NOTE 4 – PROPERTY TAX

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

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

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

NOTE 5 – DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Some employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postemployment 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.

Ohio Police and Fire Retirement System

Some Townships certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). OP&F is a cost-sharing, multiple-employer plan. The Ohio Revised Code prescribes this plan's benefits, which include postemployment healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. OP&F participants contributed 12.25 percent of their wages. The Township contributed to OP&F an amount equal to 24 percent of fulltime fire fighters' wages. The Township has paid all contributions required through December 31, 2019.

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – POSTEMPLOYMENT BENEFITS

Both OPERS and OP&F offer cost-sharing, multiple-employer defined benefit postemployment plans, which include multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients. The portion of employer contributions allocated to health care for OPERS members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2019. OP&F contributes 0.5 percent to fund these benefits.

Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model. A stipend funded by OP&F was placed in individual Health Reimbursement Accounts that retirees use to be reimbursed for health care expenses.

NOTE 7 – RISK MANAGEMENT

Orange Township insures against injuries to employees through the State of Ohio Bureau of Workers' Compensation. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

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

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

NOTE 8 – EMPLOYEE BENEFITS

Effective January 1, 2019, the Township became fully insured for employee medical health insurance through a traditional plan with United Health Care (UHC). The risk of loss transfers to UHC upon payment of the premiums. Medical health insurance is offered to most Township employees. Prior to January 1, 2019, the Township was self-insured for employee's medical health insurance.

NOTE 9 – CONTINGENT LIABILITIES

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

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - INTERFUND TRANSACTIONS

Transfers for the year ended December 31, 2019 consisted of the following as reported on the combined statement of receipts, disbursements, and changes in fund balance:

<u>Transfers To</u>	Transfers From		
	General	Capital Projects	Total
General	\$ -	\$ 5,768,890	\$ 5,768,890
Special Revenue	5,768,890	-	5,768,890
Total	\$ 5,768,890	\$ 5,768,890	\$ 11,537,780

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

The transfer from the capital projects funds to the general fund and then subsequently transferred from the general fund to a special revenue fund was to close out certain capital project funds and move monies not legally restricted for current road projects. These transfers were approved by the Board of Trustees.

**Independent Auditor's 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***

Orange Township
Delaware County
1680 E. Orange Road
Lewis Center, Ohio 43035

To the Board of Trustees:

We have audited, in accordance with the 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 the cash balances, receipts, and disbursements for each governmental fund type of Orange Township, Delaware County, Ohio, as of and for the years ended December 31, 2020 and December 31, 2019, and the related notes to the financial statements and have issued our report thereon dated August 27, 2021, wherein we noted as described in Note 2 in 2020 and Note 1 in 2019, Orange Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Furthermore, as described in Note 15 to the financial statements, during 2020, Orange Township adopted a change in accounting principle and removed the fund balance classifications from the Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis) – All Governmental Fund Types. As described in Note 14 to the financial statements, during 2020, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of Orange Township.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Orange Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Orange Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Orange 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 Orange Township'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 a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001 that we consider to be a material weakness.

Orange Township

Delaware County

Independent Auditor's 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 Orange Township's financial statements are free from 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 financial statements. 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2020-001.

Orange Township's Response to Finding

Orange Township's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Orange Township's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Orange Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Orange Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.

August 27, 2021

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND RESPONSES
DECEMBER 31, 2020 AND 2019**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS	
Finding Number	2020-001

Material Weakness – Non-compliance – Recording On-Behalf Grants:

The Township is responsible for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error. Ohio Rev. Code § 5705.42 requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. In addition, Auditor of State (AOS) Bulletin 2000-008 indicates that when a local government enters into an on-behalf-of program agreement with another local government or the State, whereby the local government or its residents are the beneficiaries under the agreement, the cash value benefit of the program received under the agreement should be recorded as memorandum receipts and disbursements in the year on-behalf-of disbursements are made.

The Township did not record the 2020 revenues and related expenditures for an on-behalf-of grant in the amount of \$361,019 for the Green Meadows & Highland Intersection improvement project which passed through Ohio Public Works Commission.

The financial statements and footnotes include the proper adjustments to reflect the project within the Public Works Commission Projects fund, a capital projects fund.

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

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

Client Response: This finding has been corrected. Fund 4401 has been established as the Public Works Commission Project fund. This fund had appropriations established for purposes of recording grant money received in 2021 for the East Orange Road project. These appropriations were approved in RES.21-261.

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2017	<u>Material Weakness - Financial Reporting</u> – The Township is responsible for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error. Misstatements were identified and adjustments were made to properly state the financial statements.	Not Corrected	Finding repeated at 2020-001
2018-002	2018	<u>Material Weakness/Noncompliance – On-Behalf Grants</u> – Ohio Revised Section 5705.42, requires, in part, that when the state or any department, division, agency, authority or unit thereof makes a grant or loan of money to any political subdivision of this state to aid in paying the cost of any program, activity, or function of such subdivision, the amount is deemed appropriated and shall be recorded by the subdivision. The Township did not record an on-behalf grant from the Ohio Public Works Commission.	Not Corrected	Finding repeated at 2020-001
2018-003	2018	<u>Significant Deficiency – Timely Recording of Cash Collections</u> – The Township did not timely record all receipts in their accounting system/records. Receipts not timely posted included pool, property tax and intergovernmental receipts.	Corrected	N/A
2018-004	2017	<u>Significant Deficiency – Monthly Performance of Bank-to-Book Reconciliations</u> – A book-to-bank reconciliation should be performed monthly and reconciling items should be identified and adjusted at the time the reconciling item or error is discovered. The Township did perform the bank-to-book reconciliations throughout 2018, however reconciliations were not performed timely or on a monthly basis.	Corrected	N/A
2018-005	2018	<u>Significant Deficiency – Financial Oversight</u> – It is the Township Board of Trustee's responsibility to monitor monthly reports and verify that related documents agree with the reports. It is also pertinent the Board monitor financial activity closely at each regular monthly meeting. It was not documented the Board received financial reports to evaluate Township activity for certain months during 2018.	Corrected	N/A

**ORANGE TOWNSHIP
DELAWARE COUNTY, OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2020 AND 2019**

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-006	2018	<u>Significant Deficiency/Noncompliance – Self-Insurance Reporting</u> – Ohio Revised Code Section 9.833 (C)(2) states in part, each political subdivision shall reserve funds necessary for an individual or joint self-insurance program in a special fund that may be established for political subdivisions other than an agency or instrumentality pursuant to an ordinance or resolution of the political subdivision and not subject to the Ohio Revised Code Section 5705.12. In addition, Ohio Revised Code section 9.833 (C)(4) states the self-insurance program shall include a contract with a certified public accountant and a member of the American academy of actuaries for the preparation of the written evaluations required under division (C)(1). The Township did not establish the required self-insurance internal service fund or contract with a certified public accountant and a member of the American academy of actuaries for preparation of a written evaluation.	Corrected	N/A – Township was not self-insured during 2019 or 2020
2018-007	2018	<u>Finding for Recovery/Noncompliance – Late Fees and Penalties</u> – Contrary to Ohio Revised Codes 145.47(B) and 742.35 as well as Auditor of State Bulletin 2003-005, there were several instances in which the Township was assessed late fees and/or penalties due to inefficient accounting operations for not timely remitting certain required payments. A finding for recovery was issued and since repaid for this matter.	Corrected	N/A

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OHIO AUDITOR OF STATE KEITH FABER



ORANGE TOWNSHIP

DELAWARE COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 12/16/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov