
ALGER & ASSOCIATES, Inc.



PROFESSIONAL FINANCIAL AND COMPLIANCE AUDIT SERVICES

ORANGE TOWNSHIP

CARROLL COUNTY

A&A
REGULAR AUDIT

For the Years Ended

December 31, 2019 and 2018

6927 Burgundy Ave NW
North Canton, OH 44720
Phone (330) 353-5851
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OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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(800) 282-0370

Township Trustees
Orange Township
8123 Antiqua Road
Sherrodsville, Ohio 44675

We have reviewed the *Independent Auditor's Report* of the Orange Township, Carroll County, prepared by Alger & Associates, 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. The 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

April 22, 2020

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ORANGE TOWNSHIP
CARROLL COUNTY

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Orange Township
Carroll County
8123 Antiqua Road
Sherrodsville, OH 44675

To the Board of Trustees:

Report on the Financial Statements

We have audited the accompanying financial statements of the cash balances, receipts and disbursements by fund type, and related notes of Orange Township, Carroll County, Ohio (the Township) as of and for the years ended December 31, 2019 and December 31, 2018.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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North Canton, OH 44720
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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 *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2019 and December 31, 2018, and the respective changes in financial position thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 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.

**Karen S
Alger, CPA**
Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger4@att.net, c=US
Date: 2020.03.23 09:21:35 -0400
Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

March 9, 2020

Orange Township
Carroll 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

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$97,978	\$514,339	\$0	\$0	\$612,317
Intergovernmental	23,528	139,633	-	-	163,161
Miscellaneous	16,610	2,844	23,950	-	43,404
<i>Total Cash Receipts</i>	<u>138,116</u>	<u>656,816</u>	<u>23,950</u>	<u>-</u>	<u>818,882</u>
Cash Disbursements					
Current:					
General Government	34,933	-	-	-	34,933
Public Safety	-	201,806	-	-	201,806
Public Works	-	181,543	-	-	181,543
<i>Total Cash Disbursements</i>	<u>34,933</u>	<u>383,349</u>	<u>-</u>	<u>-</u>	<u>418,282</u>
<i>Net Change in Fund Cash Balances</i>	103,183	273,467	23,950	-	400,600
<i>Fund Cash Balances, January 1</i>	<u>69,410</u>	<u>157,893</u>	<u>10,606</u>	<u>261</u>	<u>238,170</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	261	261
Restricted	-	138,854	34,556	-	173,410
Committed	-	292,506	-	-	292,506
Unassigned	172,593	-	-	-	172,593
<i>Fund Cash Balances, December 31</i>	<u>\$172,593</u>	<u>\$431,360</u>	<u>\$34,556</u>	<u>\$261</u>	<u>\$638,770</u>

See accompanying notes to the basic financial statements

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Orange Township
Carroll 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, Carroll County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Perry Township, Sherrodsville, and Leesville Volunteer Fire Department, to provide fire protection, and Sherrodsville Emergency Medical Services, Inc., to provide ambulance services.

Public Entity Risk Pool

The Township participates in 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. Note 6 to the financial statements provides additional information for this entity.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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:

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.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Accounting *(continued)*

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

Tax Increment Financing (TIF) Fund The township receives service payments in lieu of taxes to construct public improvements that will benefit the parcel within the Township’s TIF District.

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 Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

Budgetary Process*(continued)*

A summary of 2019 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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
Carroll County
Notes to the Financial Statements
For the Year Ended December 31, 2019

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Balance *(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 – Budgetary Activity

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

2019 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$117,612	\$138,116	\$20,504
Special Revenue	615,049	656,816	41,767
Capital Projects	0	23,950	23,950
Total	\$732,661	\$818,882	\$86,221

2019 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$48,841	\$35,491	\$13,350
Special Revenue	395,360	385,669	9,691
Capital Projects	10,000	0	10,000
Total	\$454,202	\$421,160	\$33,042

Note 4 – Deposits and Investments

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

Demand deposits	2019 \$638,520
Other time deposits (savings and NOW accounts)	250
Total deposits	\$638,770

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

Note 4 – Deposits and Investments *(continued)*

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.

Note 5 – 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.

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

Note 6 – Risk Management

The Township is a member of the Ohio Township Association Risk Management Authority (The Pool). The Pool assumes the risk of loss up to the limits of the Township’s policy. The Pool covers the following risks:

- General liability and casualty
- Public official’s liability
- Cyber
- Law enforcement liability
- Automobile liability
- Vehicles
- Property
- Equipment breakdown

The Pool reported the following summary of assets and actuarially-measured liabilities available to pay those liabilities as of December 31:

	<u>2018</u>
Cash and investments	\$33,097,416
Actuarial liabilities	\$ 7,874,610

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

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. OPERS members contributed 10 percent of their gross salaries and the Township contributed an amount equaling 14 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2019.

Note 8 – Postemployment Benefits

OPERS 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. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2019.

Note 9 – Tax Increment Funding Agreement

In accordance with Ohio Revised Code §§ 5709.73, 5709.74, and 5709.75, the Township approved the tax increment financing (TIF) resolution, 11-27-2017, on December 26, 2017. The TIF agreement was entered into with Rover Pipeline LLC for the purpose of improving the Carroll County natural gas Compressor Station 1 as described in Docket No. CP 15-93-000 of the Federal Energy Regulation Commission on parcel #25-00656.002 located on Azalea Road in the Township.

The funds from the TIF are to be used primarily to assist the Township in constructing public improvements that benefit the project, including 1.) Township Community building with a community meeting room to be designed and used as an Emergency Operations Center for the Compressor Station to be constructed on the property, together with appurtenant administrative facilities, 2.) Garage bays to house fire and EMS equipment required for potential emergency response at the property, meeting space, and Township equipment storage, including but not limited to road maintenance vehicles 3.) 800 MHz radio equipment for EOS operations, backup electrical power, 4.) a lighted "life flight" helicopter landing pad 5.) road construction and reconstruction that benefits the property, 6.) Communication upgrades that will benefit the Property, including but not limited to 800 MHz equipment, Wi-Fi upgrades and cell phone boosting equipment, 7.) utility upgrades, including water, sewer, electric and gas utilities for the benefit of the Property. An exemption from real property taxes on 75% of the improvement will provide for the service payments to pay the costs of the public infrastructure as described above. This exemption is for a period of 10 years or the date on which the Township can no longer require service payments in lieu of taxes, in accordance with the requirements of the TIF Statutes. The Township has begun collection of the service payments in 2018.

Orange Township
Carroll County, Ohio
*Combined Statement of Receipts, Disbursements
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 2018*

	General	Special Revenue	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts					
Property and Other Local Taxes	\$26,493	\$154,665	\$0	\$0	\$181,158
Intergovernmental	22,926	116,422	-	-	139,348
Earnings on Investments	5	10	-	-	15
Miscellaneous	24,943	10,124	10,606	-	45,673
<i>Total Cash Receipts</i>	<u>74,367</u>	<u>281,221</u>	<u>10,606</u>	<u>-</u>	<u>366,194</u>
Cash Disbursements					
Current:					
General Government	40,948	-	-	-	40,948
Public Safety	-	69,882	-	-	69,882
Public Works	-	265,239	-	-	265,239
Health	37	-	-	-	37
Capital Outlay	50,246	-	-	-	50,246
<i>Total Cash Disbursements</i>	<u>91,231</u>	<u>335,121</u>	<u>-</u>	<u>-</u>	<u>426,352</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(16,864)</u>	<u>(53,900)</u>	<u>10,606</u>	<u>-</u>	<u>(60,158)</u>
Other Financing Receipts					
Other Financing Sources	-	467	-	-	467
<i>Net Change in Fund Cash Balances</i>	<u>(16,864)</u>	<u>(53,433)</u>	<u>10,606</u>	<u>-</u>	<u>(59,691)</u>
<i>Fund Cash Balances, January 1</i>	<u>86,274</u>	<u>211,326</u>	<u>-</u>	<u>261</u>	<u>297,861</u>
Fund Cash Balances, December 31					
Nonspendable	-	-	-	261	261
Restricted	-	108,371	10,606	-	118,977
Committed	-	49,522	-	-	49,522
Unassigned	69,410	-	-	-	69,410
<i>Fund Cash Balances, December 31</i>	<u>\$69,410</u>	<u>\$157,893</u>	<u>\$10,606</u>	<u>\$261</u>	<u>\$238,170</u>

See accompanying notes to the basic financial statements

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Orange Township
Carroll 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, Carroll County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township has an elected Township Fiscal Officer. The Township provides road and bridge maintenance and cemetery maintenance. The Township contracts with Perry Township, Sherrodsville, and Leesville Volunteer Fire Department, to provide fire protection, and Sherrodsville Emergency Medical Services, Inc., to provide ambulance services.

Public Entity Risk Pool

The Township participates in 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. Note 6 to the financial statements provides additional information for this entity.

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, and a combined statement of receipts, disbursements and changes in fund balances (regulatory cash basis) for all proprietary and fiduciary fund types which are 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:

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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.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Accounting *(continued)*

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

Tax Increment Financing (TIF) Fund The township receives service payments in lieu of taxes to construct public improvements that will benefit the parcel within the Township’s TIF District.

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 Endowment Fund – The cemetery endowment fund accounts for and reports interest earned on the nonexpendable corpus from a trust agreement restricted 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.

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

Note 2 – Summary of Significant Accounting Policies *(continued)*

Budgetary Process*(continued)*

A summary of 2018 budgetary activity appears in Note 3.

Deposits and Investments

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

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.

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
Carroll County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 2 – Summary of Significant Accounting Policies *(continued)*

Fund Balance *(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 – Budgetary Activity

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

2018 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$84,159	\$74,367	(\$9,792)
Special Revenue	249,586	281,688	32,102
Capital Projects	10,484	10,606	122
Total	\$344,229	\$366,661	\$22,432

2018 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$93,221	\$91,673	\$1,548
Special Revenue	358,493	337,375	21,118
Capital Projects	10,483	0	10,483
Total	\$462,197	\$429,048	\$33,149

Note 4 – Deposits and Investments

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

Demand deposits	2018 \$237,920
Other time deposits (savings and NOW accounts)	250
Total deposits	\$238,170

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

Note 4 – Deposits and Investments *(continued)*

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.

Note 5 – 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.

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

Note 6 – 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, 2017, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

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

Note 6 – Risk Management *(continued)*

Financial Position

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

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

At December 31, 2017 the liabilities above include approximately \$8.0 million of estimated incurred claims payable. The assets above also include approximately \$6.9 million of unpaid claims to be billed to approximately 1,016 member governments in the future, as of December 31, 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the Township’s share of these unpaid claims collectible in future years is approximately \$3,000.

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

<u>2018 Contributions to OTARMA</u>
\$6,724

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
Carroll County
Notes to the Financial Statements
For the Year Ended December 31, 2018

Note 7 – Defined Benefit Pension Plans

Ohio Public Employees Retirement System

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

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

Note 8 – Postemployment Benefits

OPERS 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 2018. The portion of employer contributions allocated to health care for OPERS members in the member-directed plan was 4.0 percent during calendar year 2018.

Note 9 – Tax Increment Funding Agreement

In accordance with Ohio Revised Code §§ 5709.73, 5709.74, and 5709.75, the Township approved the tax increment financing (TIF) resolution, 11-27-2017, on December 26, 2017. The TIF agreement was entered into with Rover Pipeline LLC for the purpose of improving the Carroll County natural gas Compressor Station 1 as described in Docket No. CP 15-93-000 of the Federal Energy Regulation Commission on parcel #25-00656.002 located on Azalea Road in the Township.

The funds from the TIF are to be used primarily to assist the Township in constructing public improvements that benefit the project, including 1.) Township Community building with a community meeting room to be designed and used as an Emergency Operations Center for the Compressor Station to be constructed on the property, together with appurtenant administrative facilities, 2.) Garage bays to house fire and EMS equipment required for potential emergency response at the property, meeting space, and Township equipment storage, including but not limited to road maintenance vehicles 3.) 800 MHz radio equipment for EOS operations, backup electrical power, 4.) a lighted "life flight" helicopter landing pad 5.) road construction and reconstruction that benefits the property, 6.) Communication upgrades that will benefit the Property, including but not limited to 800 MHz equipment, Wi-Fi upgrades and cell phone boosting equipment, 7.) utility upgrades, including water, sewer, electric and gas utilities for the benefit of the Property. An exemption from real property taxes on 75% of the improvement will provide for the service payments to pay the costs of the public infrastructure as described above. This exemption is for a period of 10 years or the date on which the Township can no longer require service payments in lieu of taxes, in accordance with the requirements of the TIF Statutes. The Township has begun collection of the service payments in 2018.

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ALGER & ASSOCIATES, Inc.

Certified Public Accountants

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

Orange Township
Carroll County
8123 Antiqua Road
Sherrodsville, OH 44675

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' Government Auditing Standards, the financial statements of the cash balances, receipts, and disbursements by fund type of the Orange Township, Carroll County, Ohio (the Township) as of and for the years ended December 31, 2019 and December 31, 2018, and the related notes to the financial statements and have issued our report thereon dated March 9, 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.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. We consider findings 2019-001 and 2019-002 described in the accompanying schedule of findings to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2019-003 described in the accompanying schedule of findings to be a significant deficiency.

6927 Burgundy Ave. NW
North Canton, OH 44720
Phone - 330-353-5851
FAX - 330-768-7574

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2019-001.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Karen S
Alger, CPA

Digitally signed by Karen S Alger,
CPA
DN: cn=Karen S Alger, CPA,
o=Alger & Associates, Inc, ou,
email=ksalger46@att.net, c=US
Date: 2020.03.23 09:21:02 -04'00'

Alger & Associates, Inc.
Certified Public Accountants
North Canton, Ohio

March 9, 2020

Orange Township
Carroll County

Schedule of Findings
December 31, 2019 and 2018

Findings Related to the Financial Statements
Required to be Reported in Accordance with GAGAS

FINDING NUMBER 2019-001

1. Noncompliance/Material Weakness – Certification of Funds

26 C.F.R § 1.6041-1 requires governments to report on Form 1099 all payments aggregating \$600 or more to independent contractors for services provided.

The Township paid to the following contractors/businesses:

- RJ Wright & Sons LTD \$8,251.16 in 2019 and \$9,081.98 in 2018 for the Township’s fuel supply
- Schwartz Trucking \$2,452.92.16 in 2019 and \$20,936.25 in 2018 for hauling services
- Valley Trucking \$778.64 in 2018 for dust control services.

The Township could not provide evidence a 1099 was issued to these independent contractors. Failure to issue required 1099’s could result in noncompliance with federal tax law.

We recommend the Township issue 1099’s for all payments aggregating \$600 or more made to independent contractors for services provided.

Client Response: We did not receive a response from Officials to the finding.

FINDING NUMBER 2019-002

2. Material Weakness – Posting Budgeted Resources to the 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. Budgetary information entered into the accounting system does not match amounts per the estimated resources certified by the County for 2018 nor 2019. The funds and amounts recorded in the accounting systems compared to the amount certified are as follows:

2018:	County Auditor <u>Certification</u>	Revenue Status <u>Report</u>	<u>Variance</u>
General Fund	\$84,159	\$73,592	(\$10,567)
Road & Bridge Fund	\$86,015	\$109,834	\$23,819
Special Levy Fund	\$61,600	\$69,882	\$8,282

Orange Township
Carroll County

Schedule of Findings
December 31, 2019 and 2018

FINDING NUMBER 2019-002 (continued)

2019:	County Auditor <u>Certification</u>	Revenue Status <u>Report</u>	<u>Variance</u>
Road & Bridge Fund	\$348,784	\$568,627	\$219,843
Special Levy Fund	\$168,884	\$201,806	\$32,923
TIF Fund	\$0	\$23,950	\$23,950

The fiscal officer should periodically compare amounts recorded in the Revenue Status Report to amounts recorded on the Amended Official Certificate of Estimated Resources to assure they agree. If the amounts do not agree, the Trustees may be using inaccurate information for budgeting and monitoring purposes

Client Response: We did not receive a response from Officials to the finding.

FINDING NUMBER 2019-003

Significant Deficiency – GASB Statement No. 54

Paragraph 10 of Governmental Accounting Standards Board (GASB) Statement No. 54 (GASB 54) provides amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority should be reported as committed fund balance. In addition, Auditor of State Bulletin 2011-004 suggests reporting property taxes from inside millage due to the road and bridge fund as Committed fund balances.

The Township's Road and Bridge Fund received tax proceeds from an inside mil levy in accordance with Ohio Rev. Code Section 5705.06(F). The restriction on funds received from inside millage was internally imposed by the Trustees and in accordance with paragraph 10 of statement number 54, and therefore, the Road and Bridge fund balance should have been reported as committed. The Township reported \$292,506 in the December 31, 2019 and \$49,52, in the December 31, 2018 Road and Bridge Fund balance as restricted instead of committed in the Special Revenue Funds.

The above errors were caused by confusion over proper classification. Adjustments were made in the financial statements and the Township's records to reflect the proper presentation. The Ohio Township Handbook, the UAN manual and GASB 54 provide suggested fund and fund balance classifications. Using these classifications and the aforementioned accounting records will provide the Township with the proper presentation of the respective fund balances.

We recommend the Township refer to the Ohio Township Handbook, UAN manual and GASB 54 and AOS Bulletin 2011-004 to ensure fund balances are properly classify its funds and fund balances.

Client Response: We did not receive a response from Officials to the finding.

Orange Township
Carroll County

*Schedule of Prior Audit Findings
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>
2017-001	Noncompliance/Material Weakness: ORC §5705.38 (A) and ORC §5705.41 (B) filing of annual appropriation measure and expenditures exceed appropriations.	Yes	Corrected
2017-002	Significant Deficiency: Misclassification fund balance per GASB 54	No	Not corrected. Repeated as 2019-003

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OHIO AUDITOR OF STATE KEITH FABER



ORANGE TOWNSHIP

CARROLL 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
MAY 5, 2020**