



OHIO AUDITOR OF STATE
KEITH FABER



**ORANGE TOWNSHIP
ASHLAND COUNTY
DECEMBER 31, 2020 AND 2019**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2020	5
Notes to the Financial Statements for the Year Ended December 31, 2020	6
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) – All Governmental Fund Types For the Year Ended December 31, 2019	12
Notes to the Financial Statements for the Year Ended December 31, 2019	13
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	19
Schedule of Findings.....	21
Summary Schedule of Prior Audit Findings.....	27

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

INDEPENDENT AUDITOR'S REPORT

Orange Township
Ashland County
1008 Twp. Road 876
Ashland, Ohio 44805

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 year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of Orange Township, Ashland County, Ohio (the Township).

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.

Efficient • Effective • Transparent

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, 2020 and 2019, 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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and related notes of the Township, in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 2.

Emphasis of Matter

As discussed in Note 10 to the financial statements, as of December 31, 2020, the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2023

THIS PAGE INTENTIONALLY LEFT BLANK

Orange Township*Ashland 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$115,877	\$292,961	\$408,838
Licenses, Permits and Fees	4,000	12,308	16,308
Intergovernmental	257,871	357,023	614,894
Earnings on Investments	534	319	853
Miscellaneous	23,983	10,600	34,583
<i>Total Cash Receipts</i>	<u>402,265</u>	<u>673,211</u>	<u>1,075,476</u>
Cash Disbursements			
Current:			
General Government	313,790	63	313,853
Public Safety	0	302,333	302,333
Public Works	48,000	173,671	221,671
Health	2,031	11,264	13,295
<i>Total Cash Disbursements</i>	<u>363,821</u>	<u>487,331</u>	<u>851,152</u>
<i>Net Change in Fund Cash Balances</i>	38,444	185,880	224,324
<i>Fund Cash Balances, January 1</i>	<u>162,061</u>	<u>605,344</u>	<u>767,405</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$200,505</u></u>	<u><u>\$791,224</u></u>	<u><u>\$991,729</u></u>

See accompanying notes to the basic financial statements

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Orange Township, Ashland County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and zoning services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 9 to the financial statements provides additional information for the entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 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 117-2-03(D) permit.

C. 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

D. 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 is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

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

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

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.

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Ambulance and Fire Levy Fund – This fund receives County-levied tax monies to pay for ambulance and fire services provided by the Hayesville-Vermillion Volunteer Fire Department.

Coronavirus Relief Fund – This fund receives money from the Federal Cares Act to be used for COVID related expenses.

Cemetery Fund – This fund receives money from cemetery lot sales. These earnings are used for general maintenance and upkeep of the cemetery.

E. 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 4.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

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.

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.

G. Property, Plant and Equipment

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

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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.

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash deposit and investment 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:

	2020
Demand Deposits	\$878,596
Certificate of Deposits	30,057
Total deposits	908,653
STAR Ohio	83,076
Total investments	83,076
Total	\$991,729

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

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

Fund Type	2020 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$311,015	\$364,495	(\$53,480)
Special Revenue	485,919	487,413	(1,494)
Total	\$796,934	\$851,908	(\$54,974)

Fund Type	2020 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$446,298	\$402,264	(\$44,034)
Special Revenue	1,523,464	673,211	(850,253)
Total	\$1,969,762	\$1,075,475	(\$894,287)

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

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.

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2020, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2020.

7. POSTEMPLOYMENT BENEFITS

OPERS offers a 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.

8. RISK MANAGEMENT

Risk Pool Membership

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

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(Continued)**

8. RISK MANAGEMENT (Continued)

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

2020

Cash and investments	\$36,348,066
Actuarial liabilities	\$10,894,146

9. FUND BALANCES

Included in fund balance are amounts the Township cannot spend. 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	Total
Outstanding Encumbrances	\$207	\$451	\$658
Total	\$207	\$451	\$658

The fund balance of special revenue funds are restricted. These restricted amounts in the special revenue fund would include the outstanding encumbrances. In the general fund, outstanding encumbrances are considered assigned.

10. 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 will impact subsequent periods of the Township. The impact on the Township's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. 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.

During 2020, the Township received \$159,673 as an on-behalf of grant from another government. These amounts were recorded in the Coronavirus Relief Special Revenue Fund.

Orange Township*Ashland 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	Totals (Memorandum Only)
Cash Receipts			
Property and Other Local Taxes	\$94,783	\$271,537	\$366,320
Licenses, Permits and Fees	3,452	8,682	12,134
Intergovernmental	38,862	145,133	183,995
Earnings on Investments	902	990	1,892
Miscellaneous	6,781	14,101	20,882
<i>Total Cash Receipts</i>	<u>144,780</u>	<u>440,443</u>	<u>585,223</u>
Cash Disbursements			
Current:			
General Government	92,491	10,300	102,791
Public Safety	0	142,415	142,415
Public Works	15,768	236,170	251,938
Health	3,731	5,097	8,828
<i>Total Cash Disbursements</i>	<u>111,990</u>	<u>393,982</u>	<u>505,972</u>
<i>Net Change in Fund Cash Balances</i>	32,790	46,461	79,251
<i>Fund Cash Balances, January 1</i>	<u>129,271</u>	<u>558,883</u>	<u>688,154</u>
<i>Fund Cash Balances, December 31</i>			
Restricted	0	605,344	605,344
Assigned	30,542	0	30,542
Unassigned	131,519	0	131,519
<i>Fund Cash Balances, December 31</i>	<u>\$162,061</u>	<u>\$605,344</u>	<u>\$767,405</u>

See accompanying notes to the basic financial statements

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

1. REPORTING ENTITY

The constitution and laws of the State of Ohio establish the rights and privileges of the Orange Township, Ashland County, (the Township) as a body corporate and politic. A publicly elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance and zoning services.

Joint Ventures, Jointly Governed Organizations, Public Entity Risk Pools and Related Organizations

The Township participates in a public entity risk pool. Note 9 to the financial statements provides additional information for the entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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.

B. 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 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 117-2-03(D) permit.

C. 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.

Investment in STAR Ohio is measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

D. 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 is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Funds

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

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

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.

Road and Bridge Fund – This fund receives property tax monies to pay for constructing, maintaining, and repairing Township roads.

Ambulance and Fire Levy Fund – This fund receives County-levied tax monies to pay for ambulance and fire services provided by the Hayesville-Vermillion Volunteer Fire Department.

Cemetery Fund – This fund receives money from cemetery lot sales. These earnings are used for general maintenance and upkeep of the cemetery.

E. Budgetary Process

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

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function 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.

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 4.

F. 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:

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Nonspendable

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

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.

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.

G. Property, Plant and Equipment

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

H. 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
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

3. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash deposit and investment 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:

	2019
Demand Deposits	\$654,863
Certificate of Deposits	30,052
Total deposits	684,915
STAR Ohio	82,490
Total investments	82,490
Total	\$767,405

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by securities specifically pledged by the financial institution to the Township.

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

4. BUDGETARY ACTIVITY

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

Fund Type	2019 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Disbursements	
General	\$264,547	\$112,197	\$152,350
Special Revenue	506,214	394,433	111,781
Total	\$770,761	\$506,630	\$264,131

Fund Type	2019 Budgeted vs. Actual Receipts		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General	\$0	\$144,780	\$144,780
Special Revenue	0	440,443	440,443
Total	\$0	\$585,223	\$585,223

**ORANGE TOWNSHIP
ASHLAND COUNTY**

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(Continued)**

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.

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

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

The Ohio Revised Code also prescribes contribution rates. For 2019, OPERS members contributed 10.0% of their gross wages and the Township contributed an amount equal to 14.00% of participant's gross salaries. The Township has paid all contributions required through December 31, 2019.

7. POSTEMPLOYMENT BENEFITS

OPERS offers a 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.

8. RISK MANAGEMENT

Risk Pool Membership

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

ORANGE TOWNSHIP
ASHLAND COUNTY

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

8. RISK MANAGEMENT (Continued)

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

	<u>2019</u>
Cash and investments	\$35,207,320
Actuarial liabilities	\$10,519,942

OHIO AUDITOR OF STATE KEITH FABER



88 East Broad Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
(800) 282-0370

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

Orange Township
Ashland County
1008 Twp. Road 876
Ashland, Ohio 44805

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 for each governmental fund type as of and for the year ended December 31, 2020 and for each governmental fund type as of and for the year ended December 31, 2019, and the related notes of Orange Township, Ashland County (the Township) and have issued our report thereon dated January 26, 2023, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(C) permit. We further noted the financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Township.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal controls, described in the accompanying schedule of findings as items 2020-001 and 2020-002 that we consider to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the financial statements. 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 matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2020-003.

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.



Keith Faber
Auditor of State
Columbus, Ohio

January 26, 2023

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2020-001

Financial Statement Presentation – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The following reclassifications were made to the Township's financial statements:

- During 2020, the Township incorrectly posted \$228,155 of Intergovernmental Receipts to Miscellaneous Receipts in the General Fund and \$34,507 of Intergovernmental Receipts to Property and Other Local Taxes in the Special Revenue Fund.
- During 2019, the Township incorrectly posted \$14,851 of Intergovernmental Receipts to Property and Other Local Taxes in the General Fund and \$31,297 of Intergovernmental Receipts to Property and Other Local Taxes in the Special Revenue Fund.
- During 2019, the Township incorrectly classified \$30,542 of Assigned Fund Balance as Unassigned Fund Balance in the General Fund.

In addition to these reclassifications noted above, we also identified additional misstatements ranging from \$2,292 to \$14,824 that we have brought to the Township's attention as unadjusted items.

The Township also did not include the correct budgetary information in the notes to the financial statements. The following adjustments were made to the notes to the financial statements:

- During 2020 and 2019, there were no approved appropriations and actual disbursement amounts included for both the General and Special Revenue Funds.
- During 2020 and 2019, there were no budgeted receipt and actual receipt amounts included for the General Fund.
- During 2020, the Township included Special Revenue fund budgeted receipts of \$673,211, however, the certificate of estimated resources was \$1,523,464, for a difference of \$850,253.
- During 2019, the Township included Special Revenue fund budgeted receipts of \$605,345, however, the Township never submitted the certificate of estimated resources to the County Auditor, which would result in budgeted receipts of \$0, for a difference of \$605,345.

Also, the Township did not properly include the fund balance note disclosure in their 2020 report per Auditor of State Bulletin 2020-008.

Lack or failure of controls in place over financial reporting can result in errors that may go undetected and decreases the reliability of financial statements prepared at year end.

The Township should review the Ohio Township Handbook and exercise due care when posting transactions to help ensure receipts are posted to the correct fund and account. Additionally, the Township should review GASB 54, Auditor of State Bulletin 2011-004, and Auditor of State Bulletin 2020-008 to help ensure they are accurately classifying fund balances. This will help more accurately reflect the Township's financial activity and will aid in more accurate financial reporting.

Officials' Response: We did not receive a response from Officials to this finding.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2020-002

Budgetary Amounts Not Recorded in Accounting System – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility 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 as discussed in AU-C Section 210 paragraphs .A14 & .A16.

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

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

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

The Township's appropriations did not agree to the UAN system for the General and Coronavirus Relief Funds for 2020. The approved appropriations were \$311,015 and \$36,468, respectively, and the appropriations per the accounting system were \$384,132 and \$192,701, respectively, for a difference of \$73,116 and \$156,233, respectively.

The Township's certificate of estimated resources did not agree to the UAN system for all funds during 2020. The variances were:

Fund Name	Certificate of Estimated Resources	UAN Revenue Budget Report	Variance
General	\$446,298	\$528,586	(\$82,288)
Motor Vehicle License Tax	75,856	97,719	(21,863)
Gasoline Tax	247,443	343,529	(96,086)
Road and Bridge	205,825	195,776	10,049
Cemetery	67,920	67,764	156
Special Levy (Ambulance)	128,220	125,134	3,086
Special Levy (Fire)	761,732	356,523	405,209
Coronavirus Relief	36,468	192,976	(156,508)

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2020-002

Budgetary Amounts Not Recorded in Accounting System – Material Weakness (Continued)

The Township did not submit the certificate of estimated resources to the County Auditor as required for 2019. Therefore, the Township did not have any budgeted receipts. However, budgeted receipts were still entered into the system as noted below:

Fund Name	Certificate of Estimated Resources	UAN Revenue Budget Report	Variance
General	\$0	\$265,425	(\$265,425)
Motor Vehicle License Tax	0	71,859	(71,859)
Gasoline Tax	0	187,317	(187,317)
Road and Bridge	0	210,843	(210,843)
Cemetery	0	52,849	(52,849)
Special Levy (Ambulance)	0	107,490	(107,490)
Special Levy (Fire)	0	291,411	(291,411)

In addition, as described in Finding Number 2020-001, the Township also did not include the correct budgetary information in the notes to the financial statements.

The Township did not have procedures in place to accurately post authorized budgetary measures to the accounting system.

Failure to accurately post the appropriations and estimated resources to the ledgers could result in overspending and negative cash balances, along with misstating the budgetary presentation in the notes to the financial statements. To effectively control the budgetary cycle and to maintain accountability over receipts and expenditures, the Township should post to the ledgers, on a timely basis, estimated resources as certified by the budget commission and appropriations approved by the Board. The Township should then monitor budget versus actual reports and ensure any amendments are made based on the actual activity.

Officials' Response: We did not receive a response from Officials to this finding.

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2020-003

Material Noncompliance

Ohio Rev. Code § 5705.28(A)(2) provides except as provided in division (B)(1) or (2) of this section or in section 5705.281 of the Revised Code, the taxing authority of each subdivision or other taxing unit shall adopt a tax budget for the next succeeding fiscal year on or before the fifteenth day of July in the case of all other subdivisions and taxing units.

Ohio Rev. Code § 5705.30 provides that, unless the requirement is waived under Ohio Rev. Code § 5705.281, a tax budget, after adoption, shall be submitted to the county auditor on or before the twentieth day of July.

Ohio Rev. Code § 5705.36(A)(1) provides, in part, on or about the first day of each fiscal year, the fiscal officer of each subdivision and other taxing unit shall certify to the county auditor the total amount from all sources available for expenditures from each fund set up in the tax budget or, if adoption of a tax budget was waived under section 5705.281 of the Revised Code, from each fund created by or on behalf of the taxing authority.

The budget commission, taking into consideration the balances and revenues to be derived from taxation and other sources, shall revise its estimate of the amounts that will be credited to each fund from such sources, and shall certify to the taxing authority of each subdivision an amended official certificate of estimated resources.

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure there-from, as certified by the county budget commission, or in case of appeal, by the board of tax appeals. No appropriation measure shall become effective until the county auditor files with the appropriating authority a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate. For purposes of this section of the Ohio Revised Code, estimated revenue is commonly referred to as “estimated resources” because it includes unencumbered fund balances.

For 2019, the Township did not adopt and file a tax budget with the County Auditor as required, nor did they complete on or about the first day of the fiscal year a certification to the county auditor of the total amount from all sources available for expenditures from each fund set up in the tax budget. As a result, the Township did not receive a certificate of estimated resources from the County Auditor. Therefore, at December 31, 2019, the Township's appropriations exceeded the amount certified as available by the County Budget Commission for all funds as indicated below:

Fund Name	Certificate of Estimated Resources	Appropriations	Variance
General	\$0	\$264,547	(\$264,547)
Motor Vehicle License Tax	\$0	\$50,000	(\$50,000)
Gasoline Tax	\$0	\$106,507	(\$106,507)
Road and Bridge	\$0	\$174,824	(\$174,824)
Cemetery	\$0	\$15,194	(\$15,194)
Special Levy (Ambulance)	\$0	\$74,000	(\$74,000)
Special Levy (Fire)	\$0	\$85,689	(\$85,689)

**ORANGE TOWNSHIP
ASHLAND COUNTY**

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

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

FINDING NUMBER 2020-003

Material Noncompliance (Continued)

Failure to file the appropriate documents with the County Auditor caused appropriations to exceed certified revenues by the budget commission due to deficiencies in the Township's compliance monitoring policies and procedures and could result in overspending and negative cash fund balances, along with misstatements in the presentation of the budgetary note in the financial statements.

The Township should draft, approve, and implement procedures to help ensure compliance with budgetary requirements. This would include sending documents, such as the adopted tax budget and certificate of the total amount from all sources available for expenditure, to the County Auditor, and ensuring a certificate of estimated resources is received from the County Budget Commission. In addition, the Township should compare appropriations to estimated resources and, if adequate resources are available for additional appropriations, the Township should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the Board to reduce the appropriations. This will help ensure compliance with the Ohio Revised Code.

Officials' Response: We did not receive a response from Officials to this finding.

THIS PAGE INTENTIONALLY LEFT BLANK

Orange Township
Ashland County
Betsie Krumlaw, Fiscal Officer
1008 Twp. Rd. 876
Ashland, OH 44805
betsiekrumlaw@accountant.com

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

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Posting Receipts and Classification of Fund Balances	Not Corrected	Repeated as finding 2020-001.
2018-002	Noncompliance – Ohio Rev. Code § 505.24(A) and (B)	Fully Corrected	
2018-003	Noncompliance – Ohio Rev. Code § 507.09(A) and (D)	Fully Corrected	
2018-004	Material Weakness – Bank Reconciliations	Fully Corrected	

THIS PAGE INTENTIONALLY LEFT BLANK

OHIO AUDITOR OF STATE KEITH FABER



ORANGE TOWNSHIP

ASHLAND 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 2/28/2023

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