

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2004 - 2003**





**Auditor of State  
Betty Montgomery**

Board of Trustees  
Orange Township  
835 TR 1101  
Ashland, Ohio 44805

We have reviewed the *Independent Accountants' Report* of Orange Township, Ashland County, prepared by Knox & Knox for the audit period January 1, 2003 through December 31, 2004. 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.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State's Office (AOS). Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Accountants' Report* on your financial statements. While the AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Accountants' Report* also includes an opinion on the financial statements using the regulatory format the AOS permits.

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

A handwritten signature in black ink that reads "Betty Montgomery".

BETTY MONTGOMERY  
Auditor of State

May 5, 2006

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**ORANGE TOWNSHIP  
ASHLAND COUNTY**

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# KNOX & KNOX

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Accountants and Consultants

## Independent Accountants' Report

Orange Township  
Ashland County  
835 Township Road 1101  
Ashland OH 44805

We have audited the accompanying financial statements of Orange Township, Ashland County, Ohio, as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates, if any, made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared its financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America. Although we cannot reasonably determine the effects on the financial statements of variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Orange Township's combined funds as of December 31, 2004 and 2003, and their changes in financial position.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and the reserves for encumbrances of Orange Township, Ashland County, as of December 31, 2004 and 2003, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2006, on our consideration of Orange Township's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Knox & Knox*

Orrville Ohio  
March 27, 2006

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Government Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 65,323	\$151,070		\$ 216,393
Intergovernmental	62,876	112,784		175,660
Licenses, Permits, and Fees	9,175	5,469		14,644
Earnings on Investments	1,585	102	\$ 179	1,866
Other Revenue	4,007	5,668		9,675
Total Cash Receipts	142,966	275,093	179	418,238
<b>Cash Disbursements</b>				
Current				
General Government	73,055			73,055
Public Safety		51,456		51,456
Public Works	65,190	192,510		257,700
Public Works		8,903		8,903
Capital Outlay	21,425	20,155		41,580
Total Cash Disbursements	159,670	273,024		432,694
Total Cash Receipts Over/(Under)				
Cash Disbursements	<16,704>	2,069	179	<14,456>
<b>Other Financing Receipts and and (Disbursements):</b>				
Advances In	800	800		1,600
Advances Out	<800>	<800>		<1,600>
Total Other Financing Receipts and Disbursements				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<16,704>	2,069	179	<14,456>
Fund Cash Balances, January 1	54,134	103,641	15,016	172,791
<b>Fund Cash Balances, December 31</b>	<b>\$37,430</b>	<b>\$ 105,710</b>	<b>\$ 15,195</b>	<b>\$ 158,335</b>
Reserve for Encumbrances, December 31		\$ 40		\$ 40

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



**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND  
CASH BALANCES - ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Government Fund Types		Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Expendable Trust	
<b>Cash Receipts:</b>				
Property and Other Local Taxes	\$ 63,014	\$147,081		\$ 210,095
Intergovernmental	73,755	89,901		163,656
Licenses, Permits, and Fees	3,177	6,601		9,778
Earnings on Investments	1,518	101	\$ 164	1,783
Other Revenue	4,490	3,025		7,515
Total Cash Receipts	145,954	246,709	164	392,827
<b>Cash Disbursements</b>				
Current				
General Government	73,450			73,450
Public Safety		48,108		48,108
Public Works	70,880	161,162		232,042
Health	1,169	8,767		9,936
Capital Outlay	12,550			12,550
Total Cash Disbursements	158,049	218,037		376,086
Total Cash Receipts Over/(Under) Cash Disbursements	<12,095>	28,672	164	16,741
<b>Other Financing Receipts and and (Disbursements):</b>				
Advances In	7,698			7,698
Advances Out		<7,698>		<7,698>
Total Other Financing Receipts and Disbursements	7,698	<7,698>		
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<4,397>	20,974	164	16,741
Fund Cash Balances, January 1	58,531	82,667	14,852	156,050
<b>Fund Cash Balances, December 31</b>	<b>\$ 54,134</b>	<b>\$103,641</b>	<b>\$ 15,016</b>	<b>\$ 172,791</b>
Reserve for Encumbrances, December 31	\$ 410	\$ 1,290		\$ 1,700

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

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Orange Township, Ashland County, (the Township) is a body of corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance, recreation facilities, and cemetery maintenance. The Township contracts with the Orange Fire Company to provide fire services and contracts with the City of Ashland to provide emergency and non-emergency medical services.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized 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 prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Investments are reported as part of the fund cash balance. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

Money market mutual funds (including STAR Ohio) are recorded at share values reported by the mutual fund.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Road and Bridge Fund* - This fund receives property tax money to pay for constructing, maintaining and repairing Township roads and bridges.

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining, and repairing Township roads.

**3. Fiduciary Fund (Expendable Trust Fund)**

This fund is used to account for resources restricted by legally binding trust agreements and fund for which the Township is acting in an agency capacity. The Township had the following fiduciary fund:

*Cemetery Bequest Fund* - This fund receives donations and interest earned on investments to pay for the maintenance 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 function level of control for the General Fund and fund level of control for all other funds, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. 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 also 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 2004 and 2003 budgetary activity appears in Note 3.

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payment for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	<u>2004</u>	<u>2003</u>
Demand deposits	\$ 45,035	\$ 38,145
STAR Ohio	<u>113,300</u>	<u>134,646</u>
Total deposits and investments	<u><u>\$158,335</u></u>	<u><u>\$172,791</u></u>

**Deposits:** Deposits are either insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

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

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2004 and 2003 follows:

2004 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 122,427	142,966	20,539
Special Revenue	264,638	275,093	10,455
Fiduciary (Expendable Trust)	<u>933</u>	<u>179</u>	<u>&lt;754&gt;</u>
Total	<u>\$ 387,998</u>	<u>\$ 418,238</u>	<u>\$ 30,240</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 172,410	\$ 159,670	\$ 12,740
Special Revenue	372,252	273,064	99,188
Fiduciary (Expendable Trust)	<u>15,948</u>	<u>                    </u>	<u>15,948</u>
Total	<u>\$ 560,610</u>	<u>\$ 432,734</u>	<u>\$ 127,876</u>

2003 Budgeted vs. Actual Receipts			
<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$ 110,319	145,954	\$ 35,635
Special Revenue	248,036	246,709	<1,327>
Fiduciary (Expendable Trust)	<u>906</u>	<u>164</u>	<u>&lt;742&gt;</u>
Total	<u>\$ 359,261</u>	<u>\$ 392,827</u>	<u>\$ 33,566</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$ 188,983	\$ 158,459	\$ 30,524
Special Revenue	318,091	219,327	98,764
Fiduciary (Expendable Trust)	<u>15,758</u>	<u>                    </u>	<u>15,758</u>
Total	<u>\$ 522,832</u>	<u>\$ 377,786</u>	<u>\$ 145,046</u>

Contrary to Ohio law, appropriations exceeded total estimated resources in the General Fund in 2003.

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2004 AND 2003  
(Continued)**

**4. PROPERTY TAX**

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

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

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

**5. DEBT**

The Township had no debt outstanding at December 31, 2004.

**6. RETIREMENT SYSTEM**

All Township employees belong to the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contributions rates are also prescribed by the Ohio Revised Code. For 2004 and 2003, OPERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

**7. RISK MANAGEMENT**

**Commercial Insurance**

The Township has obtained commercial insurance for the following risks.

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

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Accountants and Consultants

## **INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Orange Township  
Ashland County  
835 Township Road 1101  
Ashland, Ohio 44805

To the Board of Trustees:

We have audited the accompanying financial statements of Orange Township, Ashland County, Ohio, (the Township) as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated March 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to the management of the Township in a separate letter dated March 27, 2006.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's Internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted a matter involving the internal control over financial reporting that does not require inclusion in this report, that we have reported to the management of the Township in a separate letter dated March 27, 2006.



Orange Township  
Ashland County  
Independent Accountants' Report on Compliance and on Internal Control  
Required by *Government Auditing Standards*  
Page 2

This report is intended solely for the information and use of the management, the audit committee, and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specific parties.

*Knox & Knox*

Orrville, Ohio  
March 27, 2006





**Auditor of State  
Betty Montgomery**

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Columbus, Ohio 43216-1140

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800-282-0370

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**ORANGE TOWNSHIP**

**ASHLAND 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 23, 2006**