

**ORANGE TOWNSHIP  
ASHLAND COUNTY**

**REGULAR AUDIT**

**FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005**





# Mary Taylor, CPA

Auditor of State

Board of Trustees  
Orange Township  
P.O. Box 1  
Nankin, Ohio 44848

We have reviewed the *Independent Accountants' Report* of Orange Township, Ashland County, prepared by Knox & Knox, for the audit period January 1, 2005 through December 31, 2006. 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. 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 Auditor of State 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 Auditor of State 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA  
Auditor of State

December 3, 2007

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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  
P.O. Box 1  
Nankin, OH 44848

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, 2006 and 2005. 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 (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. In addition to the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards require us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. The following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Orange Township, Ashland County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2007, on our consideration of the 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 or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

***Knox & Knox***

Orrville, Ohio  
October 16, 2007



ORANGE TOWNSHIP  
ASHLAND COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2006

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$75,134	\$167,478		\$242,612
Intergovernmental	168,363	116,775		285,138
Licenses, Fees and Permits	11,860	6,679		18,539
Earnings on Investments	10,554	126		10,680
Other Revenue	5,332	1,671		7,003
<b>Total Cash Receipts</b>	<b>271,243</b>	<b>292,729</b>		<b>563,972</b>
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	75,142			75,142
Public Safety		61,227		61,227
Public Works	44,741	204,635		249,376
Health	1,475	3,017		4,492
Conservation/Recreation	350			350
Capital Outlay	4,250	5,310	\$5,947	15,507
<b>Total Cash Disbursements</b>	<b>125,958</b>	<b>274,189</b>	<b>5,947</b>	<b>406,094</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>145,285</b>	<b>18,540</b>	<b>(5,947)</b>	<b>12,593</b>
<b>OTHER FINANCING RECEIPTS/(DISBURSEMENTS):</b>				
Transfers-In		10,500		10,500
Transfers-Out	(10,500)			(10,500)
Sale of Fixed Assets		1,500		
<b>Total Other Financing Receipts (Disbursements)</b>	<b>(10,500)</b>	<b>12,000</b>		<b>1,500</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>134,785</b>	<b>30,540</b>	<b>(5,947)</b>	<b>159,378</b>
<b>Fund Cash Balances, January 1</b>	<b>41,905</b>	<b>103,273</b>	<b>15,233</b>	<b>160,411</b>
<b>FUND CASH BALANCES DECEMBER 31</b>	<b><u>\$176,690</u></b>	<b><u>\$133,813</u></b>	<b><u>\$9,286</u></b>	<b><u>\$319,789</u></b>

*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 - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Fund Types			Totals (Memorandum Only)
	General	Special Revenue	Permanent	
<b>CASH RECEIPTS:</b>				
Property and Other Local Taxes	\$64,532	\$155,095		\$219,627
Intergovernmental	67,384	111,522		178,906
Fees, Licenses, and Permits	11,850	4,283		16,133
Earnings on Investments	4,821	453	\$388	5,662
Other Revenue	11,157	4,978		16,135
Total Cash Receipts	159,744	276,331	388	436,463
<b>CASH DISBURSEMENTS:</b>				
Current:				
General Government	78,246			78,246
Public Safety		57,224		57,224
Public Works	66,523	201,509		268,032
Health		11,654		11,654
Capital Outlay	10,000	8,881	350	19,231
Total Cash Disbursements	154,769	279,268	350	434,387
Total Cash Receipts Over/(Under) Cash Disbursements	4,975	(2,937)	38	2,076
<b>OTHER FINANCING RECEIPTS (DISBURSEMENTS)</b>				
Advances In	11,000	11,000		22,000
Advances Out	(11,000)	(11,000)		(22,000)
Transfers In		500		500
Transfers Out	(500)			(500)
Total Other Financing Receipts (Disbursements)	(500)	500		
<b>Excess of Cash Receipts and Other Financing Receipts (Under) Cash Disbursements and Other Financing Disbursements</b>				
	4,475	(2,437)	38	2,076
Cash Fund Balances, January 1	37,430	105,710	15,195	158,335
CASH FUND BALANCES, DECEMBER 31	<u>\$41,905</u>	<u>\$103,273</u>	<u>\$15,233</u>	<u>\$160,411</u>
Reserve for Encumbrances		<u>\$1,500</u>		<u>\$1,500</u>

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

ORANGE TOWNSHIP  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **DESCRIPTION OF THE ENTITY**

Orange Township, Ashland County, Ohio, (the Township) is a body 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, which includes 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 balances. 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 to 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  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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 has the following significant Special Revenue Funds:

*Road and Bridge Fund* - This fund receives property tax money 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. Permanent Fund

Permanent funds are used to account for resources restricted by use. The Township has the following Permanent 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 fund level of control, 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 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 commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

ORANGE TOWNSHIP  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

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

F. PROPERTY, PLANT AND EQUIPMENT

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

G. Accumulated Leave

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the Township's basis of accounting.

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

The Township maintains a cash and investment 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>2006</u>	<u>2005</u>
Demand deposits	\$33,025	\$19,251
STAR Ohio	<u>286,764</u>	<u>141,160</u>
Total deposits and investments	<u>\$319,789</u>	<u>\$160,411</u>

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

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

3. **BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2006 and 2005 follows:

	Budgeted vs. Actual Receipts 2006		
	Budgeted Receipts	Actual Receipts	Variance
General Fund	\$272,239	\$271,243	(\$996)
Special Revenue Funds	329,505	304,729	(24,776)
Permanent Fund	<u>961</u>	<u>          </u>	<u>(961)</u>
Totals	<u>\$602,705</u>	<u>\$575,972</u>	<u>(\$26,733)</u>

ORANGE TOWNSHIP  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

**3. BUDGETARY ACTIVITY** (continued)

Fund	2006 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General Fund	\$275,228	\$136,458	\$138,770
Special Revenue Funds	406,742	274,189	132,553
Permanent Fund	16,193	5,947	10,246
Totals	<u>\$698,163</u>	<u>\$416,594</u>	<u>\$281,569</u>

Fund	Budgeted vs. Actual Receipts 2005		
	Budgeted	Actual	Variance
	Receipts	Receipts	
General Fund	\$131,217	\$159,744	\$28,527
Special Revenue Funds	211,617	276,831	65,214
Permanent Fund	961	388	(573)
Totals	<u>\$343,795</u>	<u>\$436,963</u>	<u>\$93,168</u>

Fund	2005 Budgeted vs. Actual Budgetary Basis Expenditures		
	Appropriation	Budgetary	Variance
	Authority	Expenditures	
General Fund	\$176,810	\$155,269	\$21,541
Special Revenue Funds	369,287	280,768	88,519
Permanent Fund	16,155	350	15,805
Totals	<u>\$562,252</u>	<u>\$436,387</u>	<u>\$125,865</u>

Contrary to Ohio law, appropriations exceeded total estimated resources in the General Fund and Special Revenue Fund Type in 2005.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by 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 for first half is due December 31. The second half payment is due the following June 20.

ORANGE TOWNSHIP  
ASHLAND COUNTY

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2006 and 2005

4. **PROPERTY TAX** (continued)

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

Tangible personal property tax is assessed by the property owner, 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, 2006.

6. **RETIREMENT SYSTEM**

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

Contribution rates are also prescribed by the Ohio Revised Code. For 2006 and 2005, members contributed 9.0% and 8.5% of their gross salaries, respectively. The Township contributed an amount equal to 13.7% (2006) and 13.55% (2005) of participants' gross salaries. The Township has paid all contributions required through December 31, 2006.

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 INTERNAL CONTROL  
AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Orange Township  
Ashland County  
P.O. Box 1  
Nankin, OH 44848

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, 2006 and 2005, and have issued our report thereon dated October 16, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. 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.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Township's internal control over financial reporting as basis for designing our audit procedures in order to express our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. We did note another matter that was reported to the Township in a separate letter dated October 16, 2007.

COMPLIANCE AND OTHER MATTERS

As part of reasonably assuring whether the Township's basic 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, providing an opinion 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain noncompliance that we reported to the Township's management in a separate letter dated October 16, 2007.

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. We intend it for no one other than these specified parties.

*KNOX & KNOX*

Orrville, Ohio  
October 16, 2007



**Mary Taylor, CPA**  
Auditor of State

**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  
DECEMBER 13, 2007**