



Mary Taylor, CPA  
Auditor of State



**BYRD TOWNSHIP  
BROWN COUNTY**

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Byrd Township  
Brown County  
6315 Huff Hill Road  
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byrd Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Byrd Township, Brown County, Ohio, as of December 31, 2006 and 2005, and the respective changes in cash financial position and the respective budgetary comparison for the General, Gas Tax Fund, Fire District Fund, the Miscellaneous School Fund (2006 only) and CDBG Fund (2005 only), thereof for the year(s) then ended in conformity with the basis of accounting Note 1 describes.

For the years ended December 31, 2006 and 2005, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

As discussed in Note 13 to the financial statements, the Township has a negative General Fund balance of (\$3,391) as of December 31, 2006, as a result of adjustments related to the audit. The financial statements have been prepared assuming the Township will be able to make the adjustments within the Township's accounting system and continue to meet its debts as they come due. Note 13 also describes Management's plans regarding this matter.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2007, 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. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's discussion and analysis is not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 14, 2007

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)

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This discussion and analysis of Byrd Township's financial performance provides an overall review of the Township's financial activities for the years ended December 31, 2006 and 2005, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

### **Highlights**

Key highlights for 2006 and 2005 are as follows:

In 2006, the Township's net assets increased \$38,977, or 42.2 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Gas Fund. The Gas Fund increase was due to major repairs and maintenance to be done in 2007 and therefore funds were needed for the ensuing year. The General Fund, which realized the greatest burden of increased cost and decreased revenues in 2006 and 2005, decreased \$4,500, or 405.8 percent, as compared to 2005 due to increased costs in 2006 and 2005 plus a decrease in revenue received.

The Township's general receipts are primarily property taxes. These receipts represent respectively 26.0 and 19.8 percent of the total cash received for governmental activities during the year. Property and income tax receipts for 2006 changed very little compared to 2005 as development within the Township has been slow. For the purposes of current operating expenses, the Township placed a five year, 2.5 mill tax levy on the ballot in 2006, however the levy failed. A FEMA and CDBG grant were received in 2005, as reflected by the large increase in operating grants, contributions and interest program revenues for that year.

### **Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, as applicable to the Township's cash basis of accounting.

#### **Report Components**

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

#### **Basis of Accounting**

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

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As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

**Reporting the Government as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2006 and 2005, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township capital assets, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

**Reporting the Government's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Gas Tax, and Fire District Funds in both 2006 and 2005, and the Miscellaneous Special Revenue School Fund in 2006 and the CDBG Fund in 2005. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.



Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

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**The Government as a Whole**

Table 1 provides a summary of the Township's net assets for 2006 and 2005 on a cash basis:

(Table 1)  
**Net Assets**

	Governmental Activities	
	2006	2005
<b>Assets</b>		
Cash and Cash Equivalents	\$131,449	\$92,472
Total Assets	\$131,449	\$92,472
<b>Net Assets</b>		
Restricted for:		
Road Maintenance	107,344	67,811
Fire Protection	18,390	14,721
Cemetery	1,545	507
Community Building	6,146	6,926
Permanent Fund:		
Expendable	415	398
Nonexpendable	1,000	1,000
Unrestricted	(3,391)	1,109
Total Net Assets	\$131,449	\$92,472

As mentioned previously, net assets of governmental activities increased \$38,977 or 42.2 percent during 2006. The primary reason contributing to the increases in cash balances were that the revenues had been anticipated as a decreased amount due to state cuts in personal property tax and therefore the Board of Trustees decided to cut costs wherever possible. The Township operated on bare necessities and the Gas Tax Fund was used sparingly due to an anticipated large project in 2007.

Other factors that should be reviewed is the General Fund is rapidly decreasing from year to year. Mandates and annual increases of salaries, PERS employer share, utilities, insurance costs and workers compensation rates, as well as a lack of Estate Taxes have all been a factor.

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

Table 2 reflects the changes in net assets in 2006 and 2005.

(Table 2)  
**Changes in Net Assets**

	Governmental Activities 2006	Governmental Activities 2005	Variance
Receipts:			
Program Receipts:			
Charges for Services and Sales	\$13,600	\$12,350	\$1,250
Operating Grants and Contributions	108,285	151,578	(43,293)
Total Program Receipts	<u>121,885</u>	<u>163,928</u>	<u>(42,043)</u>
General Receipts:			
Property and Other Local Taxes	50,190	44,534	5,656
Grants and Entitlements Not Restricted to Specific Programs	13,742	13,210	532
Interest	787	674	113
Miscellaneous	6,246	2,461	3,785
Total General Receipts	<u>70,965</u>	<u>60,879</u>	<u>10,086</u>
Total Receipts	<u>192,850</u>	<u>224,807</u>	<u>(31,957)</u>
Disbursements:			
General Government	54,082	75,150	(21,068)
Public Safety	21,047	23,584	(2,537)
Public Works	49,851	53,633	(3,782)
Health	6,178	3,695	2,483
Capital Outlay	3,948	36,846	(32,898)
Debt Service			
Principal	17,554	18,284	(730)
Interest	1,213	2,161	(948)
Total Disbursements	<u>153,873</u>	<u>213,353</u>	<u>(59,480)</u>
Increase (Decrease) in Net Assets	38,977	11,454	27,523
Beginning Net Assets	92,472	81,018	11,454
Ending Net Assets	<u>\$131,449</u>	<u>\$92,472</u>	<u>\$38,977</u>

In 2006, Program receipts represent 63 percent of total receipts. In 2005, Program receipts represent 73 percent of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and grant monies.

In 2006, General receipts represent only 37 percent of the Township's total receipts, and of this amount, 71 percent are local taxes. State and federal grants and entitlements make up 19 percent of the Township's general receipts. Miscellaneous receipts which consists mainly of payment for fence disputes make up the balance of the Township's general receipts (1 percent). In 2005, General receipts represent only 27 percent of the Township's total receipts, and of this amount, 73 percent are local taxes. State and federal grants and entitlements make 22 percent of the Township's general receipts. Miscellaneous receipts which consists mainly of payments for fence disputes and emergency road repair make up the

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

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balance of the Township's general receipts (4 percent). Other receipts in 2006 and 2005 are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of officials' salaries and benefits, insurance premium and utilities.

Public Safety is the cost of fire protection; Health is the cost of cemetery maintenance; Public Works is the cost of lighting the streets and road maintenance; Capital Outlay is for CDBG community building renovation; Debt Service is the principal and interest portion of fire truck and dump truck notes.

**Governmental Activities**

If you look at the Statement of Activities on page 12 and 20, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which account for 35 percent of all governmental disbursements in both 2006 and 2005. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$54,082	(\$34,368)	\$75,150	(\$38,405)
Public Safety	21,047	(16,018)	23,584	(15,322)
Public Works	49,851	45,688	53,633	32,306
Health	6,178	(4,575)	3,695	(3,219)
Capital Outlay	3,948	(3,948)	36,846	(4,340)
Debt Service				
Principal	17,554	(17,554)	18,284	(18,284)
Interest	1,213	(1,213)	2,161	(2,161)
Total Expenses	<u>\$153,873</u>	<u>(\$31,988)</u>	<u>\$213,353</u>	<u>(\$49,425)</u>

The dependence upon property tax receipts is apparent as about 21 and 23 percent of governmental activities are supported through these general receipts in 2006 and 2005, respectively.

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

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**The Government's Funds**

In 2006, total governmental funds had receipts of \$192,850 and disbursements of \$153,873. In 2005, total governmental funds had receipts of \$224,807 and disbursements of \$213,353. The greatest changes within governmental funds occurred within the General Fund and Gas Tax Fund. The fund balance of the General Fund decreased \$4,500 (405.8 percent) in 2006 as a result of increased cost and decreased revenues. The Gas Tax Fund increased \$36,443 (56.1 percent) in 2006 as a result of increased revenue for road repair and maintenance to be done in 2007.

**General Fund Budgeting Highlights**

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006 and 2005, the Township amended its General Fund budget occasionally to reflect changing circumstances. General Fund receipts received in 2006 were \$3,388 greater than was budgeted and were \$6,685 greater in 2005.

In 2006, final disbursements were budgeted at \$33,990, while actual disbursements were \$38,281. In 2005, final disbursements were budgeted at \$29,777, while actual disbursements were \$35,353 and receipts were greater than disbursements resulting in a fund balance increase of \$8,878. The Township kept spent above their budgeted amounts as demonstrated by the reported variances and receipts failed to keep pace with disbursements resulting in a fund balance decrease in 2006 of \$4,500 and \$6,191 in 2005.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not report capital assets under the cash basis of accounting.

**Debt**

At December 31, 2006, the Township's outstanding debt included \$9,887 in acquisition notes for a dump truck. For further information regarding the Township's debt, refer to Note 11 to the basic financial statements.

**Current Issues**

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. The Fiscal Officer and Finance Committee reviewed the Township's sources of revenue and determined that increases were unlikely. The Township does not have a tax levy to support the General Fund and with increased, mandates, utilities, and decreased revenue sources, strict use of funds have been put in place. The Township Park and Playground get only minimal maintenance, such as mowing, and many repairs have been put on hold. The Trustees and Fiscal Officer have decided not to attend meetings that create cost, unless we are willing to pay the expenses ourselves. Travel has been reduced to minimal and paid only if prior approval has been granted. All departments have been asked to reduce their spending for the year for supplies. The Trustees have not hired laborers for small jobs and have been performing much of the maintenance themselves.

Byrd Township  
Management's Discussion and Analysis  
For the Years Ended December 31, 2006 and 2005  
(Unaudited)  
(Continued)

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**Contacting the Government's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Jean Huff, Fiscal Officer, Byrd Township, Brown County, 6315 Huff Hill Road, Russellville, Ohio 45168.

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**Byrd Township, Brown County**

*Statement of Net Assets - Cash Basis*

*December 31, 2006*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$131,449</u>
<i>Total Assets</i>	<u><u>\$131,449</u></u>
<b>Net Assets</b>	
Restricted for:	
Road Maintenance	107,344
Fire Protection	18,390
Cemetery	1,545
Community Building	6,146
Permanent Fund	
Expendable	415
Nonexpendable	1,000
Unrestricted	<u>(3,391)</u>
<i>Total Net Assets</i>	<u><u>\$131,449</u></u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2006*

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$54,082	\$13,200	\$6,514	(\$34,368)
Public Safety	21,047	0	5,029	(16,018)
Public Works	49,851	0	95,539	45,688
Health	6,178	400	1,203	(4,575)
Capital Outlay	3,948	0	0	(3,948)
Debt Service				
Principal	17,554	0	0	(17,554)
Interest	1,213	0	0	(1,213)
<b>Total</b>	<b>\$153,873</b>	<b>\$13,600</b>	<b>\$108,285</b>	<b>(31,988)</b>
<b>General Receipts</b>				
Property Taxes				50,190
Grants and Entitlements not Restricted to Specific Programs				13,742
Earnings on Investments				787
Miscellaneous				6,246
<i>Total General Receipts</i>				70,965
Change in Net Assets				38,977
<i>Net Assets Beginning of Year</i>				92,472
<i>Net Assets End of Year</i>				<b>\$131,449</b>

See accompanying notes to the basic financial statements



**Byrd Township, Brown County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2006*

	General	Gasoline Tax	Fire District	Other Misc SR School	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Pooled Cash and Cash Equivalents	(\$3,391)	\$101,413	\$18,390	\$6,146	\$8,891	\$131,449
<i>Total Assets</i>	<u>(\$3,391)</u>	<u>\$101,413</u>	<u>\$18,390</u>	<u>\$6,146</u>	<u>\$8,891</u>	<u>\$131,449</u>
<b>Fund Balances</b>						
Unreserved:						
Undesignated, Reported in:						
General Fund	(\$3,391)	\$0	\$0	\$0	\$0	(\$3,391)
Special Revenue Funds	0	101,413	18,390	6,146	7,476	133,425
Permanent Fund	0				1,415	1,415
<i>Total Fund Balances</i>	<u>(\$3,391)</u>	<u>\$101,413</u>	<u>\$18,390</u>	<u>\$6,146</u>	<u>\$8,891</u>	<u>\$131,449</u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2006*

	General	Gasoline Tax	Fire District	MISC SR School	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$13,006	\$0	\$29,055	\$0	\$8,129	\$50,190
Intergovernmental	13,742	86,402	5,028	0	11,912	117,084
Earnings on Investments	787	443	0	0	18	1,248
Miscellaneous	104	0	0	17,182	400	17,686
<i>Total Receipts</i>	<u>27,639</u>	<u>86,845</u>	<u>34,083</u>	<u>17,182</u>	<u>20,459</u>	<u>186,208</u>
<b>Disbursements</b>						
Current:						
General Government	36,120	0	0	17,962	0	54,082
Public Safety	0	0	21,047	0	0	21,047
Public Works	2,021	41,002	0	0	6,828	49,851
Health	0	0	0	0	6,178	6,178
Capital Outlay	140	0	0	0	3,808	3,948
Debt Service:						
Principal Retirement	0	8,714	8,840	0	0	17,554
Interest and Fiscal Charges	0	686	527	0	0	1,213
<i>Total Disbursements</i>	<u>38,281</u>	<u>50,402</u>	<u>30,414</u>	<u>17,962</u>	<u>16,814</u>	<u>153,873</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(10,642)</u>	<u>36,443</u>	<u>3,669</u>	<u>(780)</u>	<u>3,645</u>	<u>32,335</u>
<b>Other Financing Sources</b>						
Other Financing Sources	6,142	0	0	0	500	6,642
<i>Total Other Financing Sources</i>	<u>6,142</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>500</u>	<u>6,642</u>
<i>Net Change in Fund Balances</i>	(4,500)	36,443	3,669	(780)	4,145	38,977
<i>Fund Balances Beginning of Year</i>	<u>1,109</u>	<u>64,970</u>	<u>14,721</u>	<u>6,926</u>	<u>4,746</u>	<u>92,472</u>
<i>Fund Balances End of Year</i>	<u>(\$3,391)</u>	<u>\$101,413</u>	<u>\$18,390</u>	<u>\$6,146</u>	<u>\$8,891</u>	<u>\$131,449</u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes  
In Fund Balance - Budget and Actual -Budget Basis  
General Fund  
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$14,000	\$14,000	\$13,006	(\$994)
Intergovernmental	12,489	12,489	13,742	1,253
Interest	715	715	787	72
Other	95	95	104	9
<i>Total Receipts</i>	27,299	27,299	27,639	340
<b>Disbursements</b>				
Current:				
General Government	31,410	31,410	36,120	(4,710)
Public Works	2,021	2,021	2,021	0
Capital Outlay	559	559	140	419
<i>Total Disbursements</i>	33,990	33,990	38,281	(4,291)
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,691)	(6,691)	(10,642)	(3,951)
<b>Other Financing Sources</b>				
Other Financing Sources	5,582	5,582	6,142	560
<i>Total Other Financing Sources</i>	5,582	5,582	6,142	560
<i>Net Change in Fund Balance</i>	(1,109)	(1,109)	(4,500)	(3,391)
<i>Fund Balance Beginning of Year</i>	1,109	1,109	1,109	0
<i>Fund Balance End of Year</i>	\$0	\$0	(\$3,391)	(\$3,391)

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	62,992	62,992	86,402	23,410
Interest	323	323	443	120
<i>Total Receipts</i>	63,315	63,315	86,845	23,530
<b>Disbursements</b>				
Current:				
Public Works	118,885	118,885	41,002	77,883
Debt Service:				
Principal Retirement	8,714	8,714	8,714	0
Interest and Fiscal Charges	686	686	686	0
<i>Total Disbursements</i>	128,285	128,285	50,402	77,883
<i>Excess of Receipts Over (Under) Disbursements</i>	(64,970)	(64,970)	36,443	101,413
<i>Net Change in Fund Balance</i>	(64,970)	(64,970)	36,443	101,413
<i>Fund Balance Beginning of Year</i>	64,970	64,970	64,970	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$101,413	\$101,413

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire District*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$31,000	\$31,000	\$29,055	(\$1,945)
Intergovernmental	2,805	2,805	5,028	2,223
<i>Total Receipts</i>	33,805	33,805	34,083	278
<b>Disbursements</b>				
Current:				
Public Safety	33,305	33,305	21,047	12,258
Capital Outlay	4,830	4,830	0	4,830
Debt Service:				
Principal Retirement	8,890	8,890	8,840	50
Interest and Fiscal Charges	1,000	1,000	527	473
<i>Total Disbursements</i>	48,025	48,025	30,414	17,611
<i>Excess of Receipts Over (Under) Disbursements</i>	(14,220)	(14,220)	3,669	17,889
<i>Net Change in Fund Balance</i>	(14,220)	(14,220)	3,669	17,889
<i>Fund Balance Beginning of Year</i>	14,721	14,721	14,721	0
<i>Fund Balance End of Year</i>	\$501	\$501	\$18,390	\$17,889

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Misc SR School*  
*For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Miscellaneous	23,293	23,293	17,182	(6,111)
<i>Total Receipts</i>	23,293	23,293	17,182	(6,111)
<b>Disbursements</b>				
Current:				
General Government	30,219	30,219	17,962	12,257
<i>Total Disbursements</i>	30,219	30,219	17,962	12,257
<i>Excess of Receipts Over (Under) Disbursements</i>	(6,926)	(6,926)	(780)	6,146
<i>Net Change in Fund Balance</i>	(6,926)	(6,926)	(780)	6,146
<i>Fund Balance Beginning of Year</i>	6,926	6,926	6,926	0
<i>Fund Balance End of Year</i>	\$0	\$0	\$6,146	\$6,146

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**

*Statement of Net Assets - Cash Basis*

*December 31, 2005*

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	<u>Governmental Activities</u>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	<u>\$92,472</u>
<i>Total Assets</i>	<u><u>\$92,472</u></u>
<b>Net Assets</b>	
Restricted for:	
Road Maintenance	67,811
Fire Protection	14,721
Cemetery	507
Community Building	6,926
Permanent Fund	
Expendable	398
Nonexpendable	1,000
Unrestricted	<u>1,109</u>
<i>Total Net Assets</i>	<u><u>\$92,472</u></u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Activities - Cash Basis*  
For the Year Ended December 31, 2005

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants, Contributions and Interest	Governmental Activities
<b>Governmental Activities</b>				
General Government	\$75,150	\$12,150	\$24,595	(\$38,405)
Public Safety	23,584	0	8,262	(15,322)
Public Works	53,633	0	85,939	32,306
Health	3,695	200	276	(3,219)
Capital Outlay	36,846	0	32,506	(4,340)
Debt Service				0
Principal	18,284	0	0	(18,284)
Interest	2,161	0	0	(2,161)
<b>Total</b>	<b>\$213,353</b>	<b>\$12,350</b>	<b>\$151,578</b>	<b>(49,425)</b>
<b>General Receipts</b>				
Property Taxes				44,534
Grants and Entitlements not Restricted to Specific Programs				13,210
Earnings on Investments				674
Miscellaneous				2,461
<i>Total General Receipts</i>				60,879
Change in Net Assets				11,454
<i>Net Assets Beginning of Year</i>				81,018
<i>Net Assets End of Year</i>				<b>\$92,472</b>

See accompanying notes to the basic financial statements



**Byrd Township, Brown County**  
*Statement of Cash Basis Assets and Fund Balances*  
*Governmental Funds*  
*December 31, 2005*

	General	Gasoline Tax	Fire District	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Equity in Pooled Cash and Cash Equivalents	\$1,109	\$64,970	\$14,721	\$11,672	\$92,472
<i>Total Assets</i>	<u>\$1,109</u>	<u>\$64,970</u>	<u>\$14,721</u>	<u>\$11,672</u>	<u>\$92,472</u>
<b>Fund Balances</b>					
Unreserved:					
Undesignated, Reported in:					
General Fund	\$1,109	\$0	\$0	\$0	\$1,109
Special Revenue Funds	0	64,970	14,721	10,274	89,965
Permanent Fund	0	0	0	1,398	1,398
<i>Total Fund Balances</i>	<u>\$1,109</u>	<u>\$64,970</u>	<u>\$14,721</u>	<u>\$11,672</u>	<u>\$92,472</u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2005*

	General	Gasoline Tax	Fire District	CDBG	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>						
Property and Other Local Taxes	\$12,817	\$0	\$28,649	\$0	\$3,068	\$44,534
Licenses, Permits and Fees	0	0	0	0	0	0
Intergovernmental	13,210	77,542	5,259	32,506	27,361	155,878
Earnings on Investments	674	272	0	0	74	1,020
Miscellaneous	2,199	0	0	0	17,911	20,110
<i>Total Receipts</i>	<u>28,900</u>	<u>77,814</u>	<u>33,908</u>	<u>32,506</u>	<u>48,414</u>	<u>221,542</u>
<b>Disbursements</b>						
Current:						
General Government	33,627	0	0	0	41,523	75,150
Public Safety	0	0	23,584	0	0	23,584
Public Works	1,726	41,066	0	0	10,841	53,633
Health	0	0	0	0	3,695	3,695
Capital Outlay	0	0	4,340	32,506	0	36,846
Debt Service:						
Principal Retirement	0	9,394	8,890	0	0	18,284
Interest and Fiscal Charges	0	1,044	1,117	0	0	2,161
<i>Total Disbursements</i>	<u>35,353</u>	<u>51,504</u>	<u>37,931</u>	<u>32,506</u>	<u>56,059</u>	<u>213,353</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(6,453)</u>	<u>26,310</u>	<u>(4,023)</u>	<u>0</u>	<u>(7,645)</u>	<u>8,189</u>
<b>Other Financing Sources (Uses)</b>						
Other Financing Sources	262	0	3,003	0	0	3,265
<i>Total Other Financing Sources (Uses)</i>	<u>262</u>	<u>0</u>	<u>3,003</u>	<u>0</u>	<u>0</u>	<u>3,265</u>
<i>Net Change in Fund Balances</i>	(6,191)	26,310	(1,020)	0	(7,645)	11,454
<i>Fund Balances Beginning of Year</i>	<u>7,300</u>	<u>38,660</u>	<u>15,741</u>	<u>0</u>	<u>19,317</u>	<u>81,018</u>
<i>Fund Balances End of Year</i>	<u>\$1,109</u>	<u>\$64,970</u>	<u>\$14,721</u>	<u>\$0</u>	<u>\$11,672</u>	<u>\$92,472</u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*General Fund*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$14,100	\$14,100	\$12,817	(\$1,283)
Intergovernmental	8,781	6,770	13,210	6,440
Interest	448	345	674	329
Other	1,462	1,127	2,199	1,072
<i>Total Receipts</i>	24,791	22,342	28,900	6,558
<b>Disbursements</b>				
Current:				
General Government	29,777	29,777	33,627	(3,850)
Public Works	0	0	1,726	(1,726)
Health	0	0	0	0
<i>Total Disbursements</i>	29,777	29,777	35,353	(5,576)
<i>Excess of Receipts Over (Under) Disbursements</i>	(4,986)	(7,435)	(6,453)	982
<b>Other Financing Sources (Uses)</b>				
Other Financing Sources	174	135	262	127
<i>Total Other Financing Sources (Uses)</i>	174	135	262	127
<i>Net Change in Fund Balance</i>	(4,812)	(7,300)	(6,191)	1,109
<i>Fund Balance Beginning of Year</i>	7,300	7,300	7,300	0
<i>Fund Balance End of Year</i>	\$2,488	\$0	\$1,109	\$1,109

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Gasoline Tax*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	59,790	59,790	77,542	17,752
Interest	210	210	272	62
<i>Total Receipts</i>	<u>60,000</u>	<u>60,000</u>	<u>77,814</u>	<u>17,814</u>
<b>Disbursements</b>				
Current:				
Public Works	88,222	88,222	41,066	47,156
Debt Service:				
Principal Retirement	9,394	9,394	9,394	0
Interest and Fiscal Charges	1,044	1,044	1,044	0
<i>Total Disbursements</i>	<u>98,660</u>	<u>98,660</u>	<u>51,504</u>	<u>47,156</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(38,660)</u>	<u>(38,660)</u>	<u>26,310</u>	<u>64,970</u>
<i>Net Change in Fund Balance</i>	(38,660)	(38,660)	26,310	64,970
<i>Fund Balance Beginning of Year</i>	<u>38,660</u>	<u>38,660</u>	<u>38,660</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$64,970</u>	<u>\$64,970</u>

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes*  
*In Fund Balance - Budget and Actual -Budget Basis*  
*Fire District*  
*For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$31,000	\$31,000	\$28,649	(\$2,351)
Intergovernmental	0	501	5,259	4,758
<i>Total Receipts</i>	31,000	31,501	33,908	2,407
<b>Disbursements</b>				
Current:				
Public Safety	32,811	33,312	23,584	9,728
Capital Outlay	3,368	3,368	4,340	(972)
Debt Service:				
Principal Retirement	8,890	8,890	8,890	0
Interest and Fiscal Charges	1,675	1,675	1,117	558
<i>Total Disbursements</i>	46,744	47,245	37,931	9,314
<i>Excess of Receipts Over (Under) Disbursements</i>	(15,744)	(15,744)	(4,023)	11,721
<b>Other Financing Sources</b>				
Other Financing Sources	0	0	3,003	3,003
<i>Total Other Financing Sources</i>	0	0	3,003	3,003
<i>Net Change in Fund Balance</i>	(15,744)	(15,744)	(1,020)	14,724
<i>Fund Balance Beginning of Year</i>	15,741	15,741	15,741	0
<i>Fund Balance End of Year</i>	(\$3)	(\$3)	\$14,721	\$14,724

See accompanying notes to the basic financial statements

**Byrd Township, Brown County**  
*Statement of Receipts, Disbursements and Changes  
 In Fund Balance - Budget and Actual -Budget Basis  
 CDBG  
 For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Intergovernmental	0	32,506	32,506	0
<i>Total Receipts</i>	<u>0</u>	<u>32,506</u>	<u>32,506</u>	<u>0</u>
<b>Disbursements</b>				
Current:				
Capital Outlay	0	0	32,506	(32,506)
<i>Total Disbursements</i>	<u>0</u>	<u>0</u>	<u>32,506</u>	<u>(32,506)</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>32,506</u>	<u>0</u>	<u>(32,506)</u>
<i>Net Change in Fund Balance</i>	0	32,506	0	(32,506)
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$32,506</u></u>	<u><u>\$0</u></u>	<u><u>(\$32,506)</u></u>

See accompanying notes to the basic financial statements

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 1 – Reporting Entity**

The Byrd Township, Brown County, Ohio (the Township), is a body politic and corporate 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 also has an elected Township Fiscal Officer.

A. Primary Government

The primary government consists of all funds and departments that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township has a volunteer fire department for fire protection. Police protection is provided by the Brown County Sheriff's Department and a Volunteer Community Patrol schooled by the Brown County Sheriff's Department.

**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

B. Fund Accounting

The Township uses fund accounting 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. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Monies are assigned to the various governmental funds according to the purpose for which they may or must be used. The following are the Township's major funds:

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. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Fire District Fund – The fire levy fund receives proceeds from the local property tax levy for providing fire protection to Township residents.

CDBG Fund (2005 Only) – This fund received a Community Development Block Grant for the purpose of renovating the Community Building.

Miscellaneous Special Revenue School (2006 Only) – This fund receives miscellaneous receipts, usually in memory of donations, for the repair, maintenance, and utilities of the Community Building.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.



Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and deposited. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. 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 negative receipts (contra revenue), respectively.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$787 and \$674 respectively.

F. Capital Assets

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

G. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

H. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**Note 3 – Change in Basis of Accounting and Restatement of Fund Equity**

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. This year the Township has implemented the cash basis of accounting described in Note 2C. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**Note 4 – Compliance**

Contrary to **Ohio Revised Code § 5705.41(B)**, the Township had expenditures in excess of appropriations in the following funds:

Year	Fund	Appropriations	Expenditures	Variance
2006	General	\$ 33,990	\$ 38,218	(\$ 4,291)
2005	General	\$ 29,777	\$ 35,353	(\$ 5,576)
2005	Misc. SR School	\$ 16,184	\$ 21,265	(\$ 5,081)
2005	FEMA	-	\$ 20,258	(\$ 20,258)
2005	CDBG	-	\$ 32,506	(\$ 32,506)

Contrary to **Ohio Revised Code § 5705.10(D)**, the Township mis-posted revenues and expenditures to the wrong funds. At July 25, 2007, the Township did not have adequate balances in the General Fund, The Township made the necessary adjustments to the financials statements; however, the UAN accounting system would not allow the Clerk to post the adjustments. The Township plans to make the required adjustments to the UAN Accounting System when future tax revenues are received to properly reflect receipts and expenditures in the proper funds. See Note 13 for additional information.

Contrary to **Ohio Revised Code § 505.011(A)** two township trustees received compensation for their services as volunteer firemen.

**Note 5 – Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). There were no encumbrances outstanding at year end in the General or major Special Revenue Funds.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 6 – Deposits and Investments** (continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2006, \$32,638 of the Township's bank balance of \$132,638 was exposed to custodial credit risk, and at fiscal year end 2005, none of the Township's bank balance of \$92,944 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2004, and are collected with real property taxes. Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2003, and are collected with real property taxes. Public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 7 – Property Taxes** (continued)

The full tax rate for all Township operations for the year ended December 31, 2006 and was \$8.50 and \$8.00 respectively per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

Real Property	<u>2005</u>	<u>2006</u>
Residential	\$3,420,210	\$3,930,160
Agriculture	4,843,370	5,493,740
Commercial/Industrial/Mineral	42,230	32,890
Public Utility Property		
Personal	701,270	701,170
Tangible Personal Property	9,261	1,720
Total Assessed Value	<u>\$9,016,341</u>	<u>\$10,159,680</u>

**Note 8 – Risk Management**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2006, the Township contracted with several companies for various types of insurance coverage as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Amount of Coverage</u>
Westfield Companies	Commercial Property	\$ 1,000,000
	Commercial General Liability	3,000,000
	Inland Marine	100,000
Auto Owners Insurance Co.	Vehicle	100,000
Scottsdale Indemnity Company	Public Officials Liability	1,000,000
	Employment Practices Liability	1,000,000

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

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 9 – Defined Benefit Pension Plan** (continued)

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the years ended December 31, 2006 and 2005, the members of all three plans were required to contribute 9.0 percent and 8.5 percent respectively of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent and for 2006 was 9.2. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006 and 2005 were \$7,896 and \$8,681 respectively. The full amount has been contributed for 2006, 2005, and 2004.

**Note 10 - Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.2 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between .50 and 6.00 percent annually for the next nine years and 4.00 percent annually after nine years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$5,006. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 billion, respectively.

Byrd Township  
Notes to the Financial Statements  
For the Years Ended December 31, 2006 and 2005

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**Note 10 - Postemployment Benefits** (continued)

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

**Note 11 – Debt**

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Fire Truck Acquisition Notes 1997 Issue (Original Amount \$80,000)	6.27%	\$ 8,840	\$ 0	\$ 8,840	\$ 0	\$ 0
Dump Truck Acquisition Notes 2004 Issue (Original Amount \$28,000)	3.71%	\$ 18,606	\$ 0	\$ 8,714	\$ 9,887	\$ 9,887
Total long-term debt activity		<u>\$ 27,446</u>	<u>\$ 0</u>	<u>\$ 17,554</u>	<u>\$ 9,887</u>	<u>\$ 9,887</u>

The acquisition notes are supported by the full faith and credit of the Township and are payable from unvoted property tax receipts to the extent that other resources are not available to meet annual principal and interest payments.

**Note 12 – Subsequent Events**

On 02/15/07, the Township authorized the issuance of \$65,000 Township Fire Department Tanker Truck Acquisition Notes, dated 02/16/07, with annual payments of \$6,500 due on February 16 each year from 2008 through 2017.

**Note 13 – Financial Condition**

As of July 25, 2007, the Township General Fund balance was \$1,504. The Township's accounting system will not allow the clerk to post adjustments for the year ending December 31, 2006, which would result in negative fund balances. The Township will post the following adjustments when the financial resources are available:

1000	General	(\$5,698)
2011	Motor Vehicle License	4,261
2021	Gasoline Tax	(686)
2041	Cemetery Fund	(988)
2111	Fire District	3,306
2901	Misc. SR School	(195)

These adjustments are reflected in the financial statements, which resulted in the General Fund having a negative cash balance of (\$3,391) at the balance sheet date. The Township has been in contact with the Auditor of State Local Government Services to determine if an analysis regarding the financial condition of the township. The Township plans to make the aforementioned adjustments to the accounting system when additional tax revenue is received.

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# Mary Taylor, CPA

## Auditor of State

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

Byrd Township  
Brown County  
6315 Huff Hill Road  
Russellville, Ohio 45168

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Byrd Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 14, 2007. Audit adjustments were made to the financial statements; however, the UAN accounting system would not allow the Clerk to post the adjustments to the Township's accounting records due to the Township not having adequate balances in the General Fund. 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 the Comptroller General of the United States' *Government Auditing Standards*.

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

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion 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.

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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 the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, of the significant deficiencies described above, we believe finding numbers 2006-001 and 2006-002 are also material weaknesses.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated August 14, 2007.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, 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 instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001, 2006-002, and 2006-003.

We also noted certain matters that we reported to the Township's management in a separate letter dated August 14, 2007.

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



**Mary Taylor, CPA**  
Auditor of State

August 14, 2007

**BYRD TOWNSHIP  
BROWN COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 AND 2005**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2006-001**

**Noncompliance and Significant Deficiency/Material Weakness**

**Ohio Revised Code, § 5705.41(B)**, states that no subdivision or taxing unit is to expend money unless it has been appropriated as provided in Chapter 5705. Expenditures exceeded appropriations in the following funds:

<b>Year</b>	<b>Fund</b>	<b>Appropriations</b>	<b>Expenditures</b>	<b>Variance</b>
2006	General	\$ 33,990	\$ 38,218	(\$ 4,291)
2005	General	\$ 29,777	\$ 35,353	(\$ 5,576)
2005	Misc. SR School	\$ 16,184	\$ 21,265	(\$ 5,081)
2005	FEMA	-	\$ 20,258	(\$ 20,258)
2005	CDBG	-	\$ 32,506	(\$ 32,506)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. The Fiscal Officer should not certify the availability of funds and should deny payment requests exceeding appropriations. The Fiscal Officer may request the Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

**FINDING NUMBER 2006-002**

**Noncompliance and Significant Deficiency/Material Weakness**

**Ohio Revised Code, § 5705.10(D)**, states, in part, that all revenue derived from a source other than the general property tax and which the law prescribes shall be used for a particular purpose is to be paid into a special fund for such purpose. The Clerk made the following classification and posting errors:

- Posted CDBG revenue and expenditures of \$32,506 to the General Fund rather than accounting for it in a separate fund, as required by Auditor of State Bulletin 96-012.
- Posted fence dispute expenditures to the Motor Vehicle License Fund in the amount of \$2,021 and \$1,726 in 2006 and 2005 respectively instead of the General Fund.
- All state deregulation money was receipted into the General Fund, rather than allocated among the General, Cemetery, and Fire Funds. The adjustments out of the general fund for state deregulation revenue totaled \$1,088 in 2006 and \$544 in 2005.
- The state portion of FEMA revenue was posted in 2005, however not received until 2006. The adjustment of \$2,532 caused a negative fund balance of (\$1,224) at December 31, 2005.
- The Fire Funds homestead and rollback was erroneously posted to the Cemetery Fund during 2006 in the amount of \$1,803.
- Adjustments and reclassifications were noted for the interest and principal payments due to expenditures being posted to public works and 2006 interest being posted to the cemetery fund.

**FINDING NUMBER 2006-002**  
**(Continued)**

The net adjustments the Township needs to make to their system to increase/decrease fund balances to properly reflect receipts and expenditures in the proper funds are as follows:

	Increase/(Decrease)
1000 General	(\$5,698)
2011 Motor Vehicle License	4,261
2021 Gasoline Tax	(686)
2041 Cemetery Fund	(988)
2111 Fire District	3,306
2901 Misc. SR School	(195)

At July 25, 2007, the Township did not have adequate balances in the General Fund and the UAN accounting system would not allow the Clerk to post the adjustments above. The Township plans to make the required adjustments to the accounting system when future tax revenues are received.

**FINDING NUMBER 2006-003**

**Finding Repaid Under Audit**

**Ohio Revised Code, § 505.011(A)**, states a member of a Board of Township Trustees may be appointed as a volunteer fireman and in such capacity be considered an employee of the township, or he may be a member of a private fire company which has entered into an agreement to furnish fire protection for the township of which such member is a trustee; provided that such member shall not receive compensation for his services as a volunteer fireman. Furthermore, **Ohio Revised Code, § 2921.42(A)(1)**, prohibits a public official from having an interest in the profits or benefits of a public contract entered into by or for the use of the political subdivision or governmental agency or instrumentality with which he is connected.

During 2006, Michael Copple, Trustee, received \$207 for volunteer fire department runs in addition to his Trustee salary. Dallas Huff, Trustee, also received \$198 for volunteer fire department runs in addition to his Trustee salary.

On July 17, 2007, the Trustees were notified of the proposed findings for recovery. On August 14, 2007, Michael Copple and Dallas Huff repaid \$207 and \$198, respectively, to the Byrd Township Fire Fund.

This matter will be referred to the Ohio Ethics Commission.

**Officials' Response:** We did not receive a response from Officials to the findings reported above.

BYRD TOWNSHIP  
BROWN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006 AND 2005

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2004-001	ORC 5705.41(B) expenditures exceeded appropriations	NO	Reissued as finding #2006-001





**Mary Taylor, CPA**  
Auditor of State

**BYRD TOWNSHIP**

**BROWN 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  
SEPTEMBER 11, 2007**