



**BROWN TOWNSHIP
PAULDING COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2006



Mary Taylor, CPA
Auditor of State

**BROWN TOWNSHIP
PAULDING COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Brown Township
Paulding County
200 South First Street
Oakwood, Ohio 45873-8605

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 Brown Township, Paulding County, Ohio (the Township), as of and for the year ended December 31, 2006, 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 § 117.101 requires the Auditor of State to provide UAN services, and 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 opinion.

As discussed in Note 1, the accompanying financial statements and notes follow the modified 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 modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brown Township, Paulding County, Ohio, as of December 31, 2006, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Gasoline Tax, Road and Bridge, Special EMS levy, and Special Road and Bridge levy funds thereof for the years then ended in conformity with the basis of accounting Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 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.



Mary Taylor, CPA
Auditor of State

August 29, 2007

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

This discussion and analysis of Brown Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's modified 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 are as follows:

- Net assets of governmental activities increased \$24,195, or over 12 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the General Fund, which the Twp Officials are trying to build and protect to safeguard the Township from upcoming cuts by state funds. The EMS fund also has an increase due to the tax levy bringing in more than our contracted amount.
- The Township's general receipts are primarily property and other taxes. These receipts represent respectively \$124,980 and 36 percent of the total cash received for governmental activities during the year. Property and other tax receipts for 2006 changed very little compared to 2005.
- Public Works has increased by \$33,098 due primarily to the receiving grants for Community Development Block Grant and Issue II for road projects for the year 2006.
- The Township has purchased a new John Deere Backhoe through the Ohio Purchasing Program. Purchase price for the Backhoe after discount and trade-in was \$44,000. The Township has paid \$26,000. A lease for the remaining \$18,000 was taken out with John Deere for 2 years.

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 modified 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.

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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.

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 Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2006, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental and business-type activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program and business-type activity. 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 or business-type activity 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 modified 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's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property and income taxes.

In the statement of net assets and the statement of activities, the Township only has one type of activity:

Governmental Activities - Most of the Township's basic services are reported here, including fire protection, Emergency Medical Service, Cemetery and Road. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township'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 funds of the Township are reported in governmental funds.

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 only major governmental fund is the General Fund, Gasoline Tax Fund, Road and Bridge Fund, Special EMS Fund, Special Road and Bridge Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

The Township as a Whole

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

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$214,188	\$189,993
Total Assets	\$214,188	\$189,993
 Net Assets		
Restricted for:		
Other Purposes	\$138,515	\$128,331
Unrestricted	75,673	61,662
Total Net Assets	\$214,188	\$189,993

As mentioned previously, net assets of governmental activities increased \$24,195 or 12 percent during 2006. The primary reasons contributing to the increases in cash balances are as follows:

- Revenue increase in Gas Fund due to the additional two cent tax imposed by the state, although the increase may not be reflected in this fund as many of the other expenditures were taken from this to revitalize other funds.
- Issue II and CDBG grants received for road projects.
- Conservative spending in the General Fund

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Table 2 reflects the changes in net assets for 2006 compared to 2005 for governmental activities.

	Governmental Activities	
	2006	2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$39,278	\$41,543
Operating Grants and Contributions	102,414	97,554
Capital Grants and Contributions	50,212	5,000
Total Program Receipts	<u>191,904</u>	<u>144,097</u>
General Receipts:		
Property and Other Local Taxes	124,980	119,752
Sale of capital assets		1,000
Grants and Entitlements Not Restricted to Specific Programs	26,823	31,969
Interest	8,315	1,668
Miscellaneous	2,143	2,200
Total General Receipts	<u>162,261</u>	<u>156,589</u>
Total Receipts	<u>354,165</u>	<u>300,686</u>
Disbursements:		
General Government	25,385	26,724
Public Safety	55,175	57,257
Public Works	161,252	128,155
Health	31,535	17,441
Human Services	1,099	1,104
Capital Outlay	55,524	40,578
Total Disbursements	<u>329,970</u>	<u>271,259</u>
Increase in Net Assets	24,195	29,427
Net Assets, January 1,	<u>189,993</u>	<u>160,566</u>
Net Assets, December 31,	<u>\$214,188</u>	<u>\$189,993</u>

Program receipts represent only 54 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

General receipts represent 46 percent of the Township's total receipts, and of this amount, over 77 percent are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts (16 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
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(Continued)**

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 board of trustees, and the auditor, treasurer. Since these costs do not represent direct services to residents, we try to limit these costs of General Fund unrestricted receipts.

Public Safety is the costs of emergency medical service and fire protection; Human Services is the health department; Public Works is the costs of maintaining roads; Capital Outlay cost of Road construction and purchasing of equipment.

Program Receipts had mentionable variance in the Capital Grants and Contributions; this was due to an increase of \$45,212. This increase is from Issue II and CDBG grants received for road projects.

General Receipts has a mentionable increase in interest. The Fiscal Officer has moved funds to saving accounts to get maximum benefits from interest. This has increased by \$6,647.

Disbursements have had the following mentionable variances:

Public Works has increased disbursements of \$33,098 for matching funds for road projects funded from the aforementioned grants received.

Cemetery disbursement increased \$14,095; the increase is from the purchase of the new John Deere Backhoe. The Cemetery fund paid \$16,000 for its share of the use.

Capital Outlay has increased disbursements by \$14,946. Again this is primarily due to road construction paid for by Issue II and CDBG grants. Also the purchase of the new John Deere Backhoe in which the Road & Bridge fund paid \$10,000.

Governmental Activities

If you look at the Statement of Activities on page 1, 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 disbursement for governmental activities is Public Works, which account for 49 percent of all Township activities. Public Safety and Capital Outlay, also represents a significant cost, each represent approximately 17%. 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.

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

	Governmental Activities			
	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$25,385	\$25,385	\$26,724	\$26,724
Public Safety	55,175	31,485	57,257	31,465
Public Works	161,252	12,986	128,155	30,270
Health	31,535	11,587	17,441	(2,979)
Human Services	1,099	1,099	1,104	1,104
Capital Outlay	55,524	55,524	40,578	40,578
Total Expenses	<u>\$329,970</u>	<u>\$138,066</u>	<u>\$271,259</u>	<u>\$127,162</u>

The dependence upon property and income tax receipts is apparent as over 41 percent of governmental activities are supported through these general receipts. This is a decrease of 3% compared to 2005.

The Township's Funds

Total governmental funds had receipts of \$354,165 and disbursements of \$329,970. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund increased by \$14,011, due mostly by the increase of interest rates.

General Fund receipts were more than disbursements by \$14,011 indicating that the General Fund is in good standing.

General Fund Budgeting Highlights

Brown 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. One of the most significant budgeted funds is the General Fund.

During 2006, the Township amended its General Fund budget several times to reflect changing circumstances. Actual receipts were above final budgeted receipts due to conservative budgeting practices, receiving more interest than expected, and the receipt of estate tax. The difference was \$10,943.

Final disbursements were budgeted at \$91,100, while actual disbursements were \$26,370. The Township kept spending very close to budgeted amounts as demonstrated. The result is an increase in fund balance of \$14,011 for 2006.

Capital Assets and Debt Administration

Capital Assets

The Township does not record capital assets in the accompanying financial statements, but records payments for capital assets as disbursements.

**BROWN TOWNSHIP
PAULDING COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Debt

At December 31, 2006, the Township's outstanding debt included \$18,000 for the John Deere Back Hoe. This obligation is through John Deere and will be paid with money collected from taxes and cemetery funds. This debt will be expired by June 2008.

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 Township has been awarded CDBG for the amount of \$24,000 to be used in the year 2007. Any other increase in revenue is unlikely at this time. The township has been conservative with its obligations for projects until funding is certain.

Contacting the Township'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 Cheryl A. Halter, Fiscal Officer, Brown Township, 200 South First St., Oakwood, OH 45873-8605.

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Net Assets - Modified Cash Basis
December, 31, 2006*

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$214,188</u>
<i>Total Assets</i>	<u><u>\$214,188</u></u>
Net Assets	
Restricted for:	
Other Purposes	138,515
Unrestricted	<u>75,673</u>
<i>Total Net Assets</i>	<u><u>\$214,188</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2006*

	Cash Disbursements	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$25,385				(\$25,385)
Public Safety	55,175	\$19,728	\$3,962		(31,485)
Public Works	161,252		98,054	\$50,212	(12,986)
Health	31,535	19,550	398		(11,587)
Human Services	1,099				(1,099)
Capital Outlay	55,524				(55,524)
<i>Total Governmental Activities</i>	<u>\$329,970</u>	<u>\$39,278</u>	<u>\$102,414</u>	<u>\$50,212</u>	(138,066)
		General Receipts			
					124,980
					26,823
					8,315
					2,143
					<u>162,261</u>
					Change in Net Assets 24,195
					<i>Net Assets Beginning of Year</i> 189,993
					<u><u>\$214,188</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006*

	<u>General</u>	<u>Gasoline Tax</u>	<u>Road and Bridge</u>	<u>Special EMS Levy Fund</u>	<u>Special Road and Bridge Levy</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets							
Equity in Pooled Cash and Cash Equivalents	\$75,673	\$34,685	\$16,922	\$25,543	\$31,324	\$30,041	\$214,188
<i>Total Assets</i>	<u>\$75,673</u>	<u>\$34,685</u>	<u>\$16,922</u>	<u>\$25,543</u>	<u>\$31,324</u>	<u>\$30,041</u>	<u>\$214,188</u>
Fund Balances							
Unreserved:							
Undesignated, Reported in:							
General Fund	75,673						75,673
Special Revenue Funds		34,685	16,922	25,543	31,324	30,041	138,515
<i>Total Fund Balances</i>	<u>\$75,673</u>	<u>\$34,685</u>	<u>\$16,922</u>	<u>\$25,543</u>	<u>\$31,324</u>	<u>\$30,041</u>	<u>\$214,188</u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

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

	General	Gasoline Tax	Road and Bridge	Special EMS Levy	Special Road and Bridge	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$15,249		\$31,303	\$16,361	\$28,155	\$33,912	\$124,980
Charges for Services				19,728			19,728
Licenses, Permits and Fees						13,550	13,550
Sale of Lots						6,000	6,000
Intergovernmental	16,172	81,542	8,342	1,746	2,425	69,222	179,449
Interest	6,915	1,247				153	8,315
Other	2,045	2	96				2,143
<i>Total Receipts</i>	<u>40,381</u>	<u>82,791</u>	<u>39,741</u>	<u>37,835</u>	<u>30,580</u>	<u>122,837</u>	<u>354,165</u>
Disbursements							
Current:							
General Government	25,385						25,385
Public Safety				32,648		22,527	55,175
Public Works		85,741	50,140		4,794	20,577	161,252
Health	868					30,667	31,535
Human Services				464		635	1,099
Capital Outlay	117	196			10,000	45,211	55,524
<i>Total Disbursements</i>	<u>26,370</u>	<u>85,937</u>	<u>50,140</u>	<u>33,112</u>	<u>14,794</u>	<u>119,617</u>	<u>329,970</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>14,011</u>	<u>(3,146)</u>	<u>(10,399)</u>	<u>4,723</u>	<u>15,786</u>	<u>3,220</u>	<u>24,195</u>
<i>Fund Balances Beginning of Year</i>	<u>61,662</u>	<u>37,831</u>	<u>27,321</u>	<u>20,820</u>	<u>15,538</u>	<u>26,821</u>	<u>189,993</u>
<i>Fund Balances End of Year</i>	<u>\$75,673</u>	<u>\$34,685</u>	<u>\$16,922</u>	<u>\$25,543</u>	<u>\$31,324</u>	<u>\$30,041</u>	<u>\$214,188</u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING 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		
Receipts				
Property and Other Local Taxes	\$14,200	\$14,200	\$15,249	\$1,049
Intergovernmental	13,738	13,738	16,172	2,434
Earnings on Investments	1,500	1,500	6,915	5,415
Other			2,045	2,045
<i>Total receipts</i>	<u>29,438</u>	<u>29,438</u>	<u>40,381</u>	<u>10,943</u>
Disbursements				
Current:				
General Government	29,458	29,458	25,385	4,073
Health	1,500	1,500	868	632
Capital Outlay	1,500	1,500	117	1,383
Contingency	58,642	58,642		58,642
<i>Total Disbursements</i>	<u>91,100</u>	<u>91,100</u>	<u>26,370</u>	<u>64,730</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(61,662)</u>	<u>(61,662)</u>	<u>14,011</u>	<u>75,673</u>
<i>Fund Balance Beginning of Year</i>	<u>\$61,662</u>	<u>\$61,662</u>	<u>61,662</u>	
<i>Fund Balance End of Year</i>			<u>\$75,673</u>	<u>\$75,673</u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Intergovernmental	\$75,000	\$75,000	\$81,542	\$6,542
Earnings on Investments	150	150	1,247	1,097
Other			2	2
<i>Total receipts</i>	<u>75,150</u>	<u>75,150</u>	<u>82,791</u>	<u>7,641</u>
Disbursements				
Current:				
Public Works	101,040	101,040	85,741	15,299
Capital Outlay	1,400	1,400	196	1,204
Contingency	10,541	10,541		10,541
<i>Total Disbursements</i>	<u>112,981</u>	<u>112,981</u>	<u>85,937</u>	<u>27,044</u>
<i>Excess of Disbursements over Receipts</i>	<u>(37,831)</u>	<u>(37,831)</u>	<u>(3,146)</u>	<u>34,685</u>
<i>Fund Balance Beginning of Year</i>	<u>\$37,831</u>	<u>\$37,831</u>	<u>37,831</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$34,685</u></u>	<u><u>\$34,685</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$29,300	\$29,300	\$31,303	\$2,003
Intergovernmental	7,300	7,300	8,342	1,042
Earnings on Investments			96	96
<i>Total Receipts</i>	<u>36,600</u>	<u>36,600</u>	<u>39,741</u>	<u>3,141</u>
Disbursements				
Current:				
Public Works	61,028	61,028	50,140	10,888
Contingency	2,893	2,893		2,893
<i>Total Disbursements</i>	<u>63,921</u>	<u>63,921</u>	<u>50,140</u>	<u>13,781</u>
<i>Excess of Disbursements over Receipts</i>	<u>(27,321)</u>	<u>(27,321)</u>	<u>(10,399)</u>	<u>16,922</u>
<i>Fund Balance Beginning of Year</i>	<u>\$27,321</u>	<u>\$27,321</u>	<u>27,321</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$16,922</u></u>	<u><u>\$16,922</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Special EMS Levy Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$15,350	\$15,350	\$16,361	\$1,011
Charges for Services	25,000	25,000	19,728	(5,272)
Intergovernmental	1,700	1,700	1,746	46
<i>Total receipts</i>	<u>42,050</u>	<u>42,050</u>	<u>37,835</u>	<u>(4,215)</u>
Disbursements				
Current:				
Public Safety	37,921	37,921	32,648	5,273
Health	550	550	464	86
Contingency	24,399	24,399		24,399
<i>Total Disbursements</i>	<u>62,870</u>	<u>62,870</u>	<u>33,112</u>	<u>29,758</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(20,820)</u>	<u>(20,820)</u>	<u>4,723</u>	<u>25,543</u>
<i>Fund Balance Beginning of Year</i>	<u>\$20,820</u>	<u>\$20,820</u>	<u>20,820</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$25,543</u></u>	<u><u>\$25,543</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Special Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$26,000	\$26,000	\$28,155	\$2,155
Intergovernmental	2,900	2,900	2,425	(475)
<i>Total receipts</i>	<u>28,900</u>	<u>28,900</u>	<u>30,580</u>	<u>1,680</u>
Disbursements				
Public Works	10,900	10,900	4,794	6,106
Capital Outlay	10,000	10,000	10,000	
Contingency	23,538	23,538		23,538
<i>Total Disbursements</i>	<u>44,438</u>	<u>44,438</u>	<u>14,794</u>	<u>29,644</u>
<i>Excess of Disbursements Over Receipts</i>	<u>(15,538)</u>	<u>(15,538)</u>	<u>15,786</u>	<u>31,324</u>
<i>Fund Balance Beginning of Year</i>	<u>\$15,538</u>	<u>\$15,538</u>	<u>15,538</u>	
<i>Fund Balance End of Year</i>	<u><u> </u></u>	<u><u> </u></u>	<u><u>\$31,324</u></u>	<u><u>\$31,324</u></u>

See accompanying notes to the basic financial statements

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 – REPORTING ENTITY

Brown Township, Paulding 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.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies 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 contracts with the Village of Oakwood for fire protection and emergency medical services.

B. Component Unit

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on this criteria, the Township has no component units.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the modified cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

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 and business-type 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 modified 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 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.

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 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. The Township's major governmental funds are as follows:

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

1. General Fund

The General Fund 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.

2. Gasoline Tax Fund

The Gasoline Tax Fund receives state fuel excise taxes to pay for constructing, maintaining, and repairing Township roads.

3. Road and Bridge Fund

The Road and Bridge Fund receives state fuel taxes to pay for constructing, maintaining, and repairing Township roads.

4. Emergency Medical Services Fund

The Emergency Medical Services Fund receives tax money for emergency medical equipment and costs.

5. Special Road and Bridge Fund

The Special Road and Bridge Fund receives levy money for the maintenance of township roads.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

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, except agency 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 resolution, 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.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The appropriations resolution 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 resolution 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

Township records identify the purchase of specific investments by the specific funds.

To improve cash management, cash received by the Township is pooled and invested. 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. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

Investments are reported as assets. 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 negative receipts, 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 was \$6,915 which includes \$4,150 assigned from other Township funds.

F. Accumulated Leave

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

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

H. 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.

I. 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 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's modified 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. Since reporting a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid.

K. 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. Net assets restricted for other purposes include resources restricted for construction, maintenance, and repair of roads and bridges, emergency medical services, fire protection, and cemeteries.

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. No amounts are restricted by enabling legislation.

NOTE 3 COMPLIANCE

Certain revenues were allotted incorrectly to the Road and Bridge Fund, contrary to Ohio law.

NOTE 4 – 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, gas tax fund, road and bridge fund, special emergency medical services fund, and special road and bridge fund is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the modified cash basis and the modified cash basis in as much as the township cancels outstanding year end encumbrances.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – 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).

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 5 – DEPOSITS AND INVESTMENTS – (CONTINUED)

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.

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 year end, \$35,401 of the Township's bank balance of \$223,418 was exposed to custodial credit risk because those 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 6 – 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. 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; 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 2006 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 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.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 6 – PROPERTY TAXES – (CONTINUED)

The full tax rate for all Township operations for the year ended December 31, 2006, was \$6.60 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$ 16,413,720
Residential	11,214,600
Agriculture	5,199,120
Commercial/Industrial/Mineral	1,197,310
Public Utility Property	1,389,000
Real	26,950
Personal	1,362,050
Tangible Personal Property	1,138,781
Total Assessed Value	<u><u>\$ 20,138,811</u></u>

NOTE 7 – RISK POOL MEMBERSHIP

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, through V.S. Beck Insurance for various types of insurance coverage through the Ohio Government Risk Management Plan:

The Government belongs to the Ohio Government Risk Management Plan (the "Plan"), an unincorporated non-profit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 460 Ohio governments ("Members").

Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is a separate legal entity. The Plan provides property, liability, errors and omissions, law enforcement, automobile, excess liability, crime, surety and bond, inland marine and other coverages, modified for each Member's needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member's deductible.

The Plan issues its own policies and reinsures the Plan with A- VII or better rated carriers, except for the 15% casualty and the 10% property portions the Plan retains. The Plan pays the lesser of 15% or \$37,500 of casualty losses and the lesser of 10% or \$100,000 of property losses. Individual Members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

Settlement amounts did not exceed insurance coverage for the past three fiscal years.

Plan members are responsible to notify the Plan of their intent to renew coverage by their renewal date. If a member chooses not to renew with the Plan, they have no other obligation to the Plan. The former member's covered claims, which occurred during their membership period, remain the responsibility of the Plan.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 7 – RISK POOL MEMBERSHIP – (CONTINUED)

The Pool's audited financial statements conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31: 2005 and 2004 (the latest information available):

	<u>2005</u>	<u>2004</u>
Assets	\$8,219,430	\$6,685,522
Liabilities	<u>(2,748,639)</u>	<u>(2,227,808)</u>
Members' Equity	<u>\$5,470,791</u>	<u>\$4,457,714</u>

You can read the complete audited financial statements for The Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs. The Township has the Frank Gates Company as its representative with Bureau of Workers' Compensation.

NOTE 8 – 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.

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) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 8 – DEFINED BENEFIT PENSION PLAN – (CONTINUED)

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004, were \$15,785, \$14,963, and \$14,332 respectively. The full amount has been contributed for 2006, 2005, and 2004. Contributions to the member-directed plan for 2006 were \$9,346 made by the Township and \$6,439 made by the plan members.

NOTE 9 - POSTEMPLOYMENT BENEFITS

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. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. 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 2006 local government employer contribution rate was 13.70 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 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, 2004, include a rate of return on investments of 8.00 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 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight 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.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$2,729. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2005, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2008. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**BROWN TOWNSHIP
PAULDING COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

NOTE 10 – LEASES

The Township leases a backhoe. The Township disbursed \$26,000 to pay lease costs for the year ended December 31, 2006. Future lease payments are as follows:

<u>Year</u>	<u>Amount</u>
2007	\$9,000
2008	9,000
<u>Total</u>	<u>\$18,000</u>

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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*

Brown Township
Paulding County
200 South First Street
Oakwood, Ohio 45873-8605

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 Brown Township, Paulding County (the Township) as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 29, 2007, wherein, we noted the Township uses a comprehensive accounting basis other than generally accepted accounting principles. We also noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. 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 auditing procedures to expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. According, 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 preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting 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 number 2006-001 is also a material weakness.

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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance that we reported to the Township's management in a separate letter dated August 29, 2007.

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



Mary Taylor, CPA
Auditor of State

August 29, 2007

**BROWN TOWNSHIP
PAULDING COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

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

FINDING NUMBER 2006-001

Material Weaknesses and Significant Deficiency

Posting Appropriations

Appropriations reported on the accounting system differed from amounts approved by the Trustees and submitted to the County Budget Commission in 2006.

The following variances in appropriations were noted:

<u>Fund</u>	Approved Appropriations	Posted Appropriations	Variance
General	\$91,101	\$32,459	\$58,642
Motor Vehicle License Tax Fund	24,498	19,964	4,534
Gasoline Tax Fund	112,980	102,440	10,540
Road & Bridge 1.5 Fund	63,920	61,028	2,892
Road & Bridge 1.7 Fund	44,439	20,900	23,539
Cemetery Fund	37,491	36,375	1,116
EMS Fund	\$62,869	\$38,470	\$24,399

As result, reports containing budgeted receipts and appropriations were inaccurate. This increases the risk that management may draw inaccurate conclusions concerning the Township's financial status.

We recommend that the Fiscal Officer post to the Township's financial records the appropriations that the Township Trustees approve in the annual appropriation resolution and any subsequent amendments. The amount approved by the Trustees does not have to match the total amount of the Estimates resources that are approved. The Trustees may approve the amount of the township funds they wish to spend in a year with amendments to the appropriations as needed to increase.

Officials' Response

The Township did not respond to this finding.

FINDING NUMBER 2006-002

Significant Deficiency

Financial Reporting

The Township has elected to present its financial statements according to the American Institute of Certified Public Accountant's interpretation; it must adjust its financial statements to substantially conform to the display and now applicable disclosure requirements of Generally Accepted Accounting Principles (GAAP). According to the interpretation, the cash basis financial statement presentation must "look like" a GAAP presentation (i.e., GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, once it became effective).

The presentation requires that a statement of activities is presented in a format that reports the net (disbursements) receipts of the Township's individual functions (General Government, Public safety, etc) with the objective to report the relative financial burden of the Township's functions to its taxpayers.

In order to achieve this, certain revenues that derive directly from the function itself or from parties outside the Township's taxpayers or citizenry and help to reduce the net cost of the function are presented as program revenues.

The following program revenues were not presented against the appropriate governmental function on the statement of activities:

1. Permissive Tax Money was reported as charges for program services. The tax revenues of \$8,669 were posted as tax revenue.
2. Culvert revenue received from the County was posted as other in the capital grants and contributions function. Program receipts of \$5,000 were posted to the public works function.
3. Cemetery sales revenue was posted to other in the charges for services. Program receipts of \$13,550 were posted to the health function.
4. EMS and Fire activity is reported in the public safety function. Homestead and Rollback receipts of \$4,360 were reported as program revenues of the public works function.
5. Intergovernmental program revenues are reported as grants and entitlements not restricted and donations are reported as miscellaneous receipts. Intergovernmental and miscellaneous revenue of \$12,295 were posted as property taxes.

In addition, monies held in a certificate of deposit in Fifth Third Bank totaling \$136,432 were reported on the Statement of Net Assets and Statement of Cash and Fund Balances as investments instead of pooled cash.

Audit adjustments were made to correct these errors in the financial statements.

Sound financial reporting is the responsibility of the fiscal officer and governing board and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.

We recommend the Fiscal Officer reconsider how program revenues are mapped to its governmental functions on the statement of net assets.

Officials' Response

The Township did not respond to this finding.

BROWN TOWNSHIP
PAULDING COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	Approved appropriations were not posted into the appropriations ledger.	No	Not Corrected, Comment repeated as finding 2006-002.



Mary Taylor, CPA
Auditor of State

BROWN TOWNSHIP

PAULDING 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
OCTOBER 2, 2007**