



**BERLIN TOWNSHIP
DELAWARE COUNTY**

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 & 2005



Mary Taylor, CPA
Auditor of State

**BERLIN TOWNSHIP
DELAWARE COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Berlin Township
Delaware County
3271 Cheshire Road
Delaware, Ohio 43015

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 Berlin Township, Delaware County, Ohio (the Township) as of and for the years 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 § 117.101 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 2, 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 basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Berlin Township, Delaware County, as of December 31, 2006 and 2005, and the respective changes in cash basis financial position and the respective budgetary comparisons for the General and Fire District and New Fire District Funds thereof for the year then ended December 31, 2006 and the General and Fire District Fund for the year then ended December 31, 2005 in conformity with the basis of accounting Note 2 describes.

For the year ended December 31, 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*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 20, 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.

The aforementioned revision to generally accepting accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

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

Mary Taylor, CPA
Auditor of State

July 20, 2007

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
DECEMBER 31, 2006**

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 3,511,319</u>
<i>Total Assets</i>	<u><u>\$ 3,511,319</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$ 1,597,759
Debt Service	75,089
Other Purposes	561,114
Unrestricted	<u>1,277,357</u>
<i>Total Net Assets</i>	<u><u>\$ 3,511,319</u></u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - 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	Governmental Activities
Governmental Activities				
General Government	\$ 365,731	\$ 63,130	\$ -	\$ (302,601)
Public Safety	264,980	8,000	1,000	(255,980)
Public Works	411,951	1,440	147,235	(263,276)
Health	43,416	27,710	-	(15,706)
Capital Outlay	314,034	-	-	(314,034)
Debt Service:				
Principal Retirement	5,364	-	-	(5,364)
Total Governmental Activities	<u>1,405,476</u>	<u>100,280</u>	<u>148,235</u>	<u>(1,156,961)</u>
		General Receipts		
		Property and Other Local Taxes Levied for:		
		General Purposes		784,742
		Other Taxes		8,456
		Grants and Entitlements not Restricted to Specific Programs		1,385,876
		Interest		166,089
		Miscellaneous		43,357
		Total General Receipts		<u>2,388,520</u>
		Change in Net Assets		1,231,559
		Net Assets Beginning of Year		<u>2,279,760</u>
		Net Assets End of Year		<u>\$ 3,511,319</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General Fund	Fire District	Capital Projects New Fire District	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$ 1,277,357	\$ 370,071	\$ 1,401,670	\$ 462,221	\$ 3,511,319
<i>Total Assets</i>	<u>\$ 1,277,357</u>	<u>\$ 370,071</u>	<u>\$ 1,401,670</u>	<u>\$ 462,221</u>	<u>\$ 3,511,319</u>
Fund Balances					
Reserved:					
Reserved for Unclaimed Monies	1,116	-	-	-	1,116
Reserved for Encumbrances	17,917	1,766	1,392,227	279,099	1,691,009
Unreserved:					
General Fund	1,258,324	-	-	-	1,258,324
Special Revenue Funds	-	368,305	-	176,569	544,874
Capital Projects Funds	-	-	9,443	6,553	15,996
<i>Total Fund Balance</i>	<u>\$ 1,277,357</u>	<u>\$ 370,071</u>	<u>\$ 1,401,670</u>	<u>\$ 462,221</u>	<u>\$ 3,511,319</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General	Fire District Fund	Capital Projects New Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts					
Property and Other Local Taxes	\$ 397,748	\$ 395,450	\$ -	\$ -	\$ 793,198
Licenses, Permits and Fees	225	-	1,440	73,030	74,695
Intergovernmental	1,339,601	46,275	-	148,235	1,534,111
Interest	162,306	-	-	3,784	166,090
Miscellaneous	41,506	9,923	-	17,512	68,941
<i>Total Receipts</i>	<u>1,941,386</u>	<u>451,648</u>	<u>1,440</u>	<u>242,561</u>	<u>2,637,035</u>
Disbursements					
Current:					
General Government	309,920	-	-	55,811	365,731
Public Safety	-	264,931	-	49	264,980
Public Works	319,217	-	-	92,734	411,951
Health	33,950	-	-	9,466	43,416
Capital Outlay	17,912	22,922	252,381	20,819	314,034
Debt Service:					
Principal Retirement	-	-	-	5,364	5,364
<i>Total Disbursements</i>	<u>680,999</u>	<u>287,853</u>	<u>252,381</u>	<u>184,243</u>	<u>1,405,476</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,260,387</u>	<u>163,795</u>	<u>(250,941)</u>	<u>58,318</u>	<u>1,231,559</u>
Other Financing Sources (Uses)					
Transfers In	-	-	1,652,611	213,532	1,866,143
Transfers Out	(262,143)	(1,604,000)	-	-	(1,866,143)
Advances In	-	1,050,000	-	-	1,050,000
Advances Out	(1,050,000)	-	-	-	(1,050,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,312,143)</u>	<u>(554,000)</u>	<u>1,652,611</u>	<u>213,532</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	(51,756)	(390,205)	1,401,670	271,850	1,231,559
<i>Fund Balances Beginning of Year</i>	<u>1,329,113</u>	<u>760,276</u>	<u>-</u>	<u>190,371</u>	<u>2,279,760</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,277,357</u>	<u>\$ 370,071</u>	<u>\$ 1,401,670</u>	<u>\$ 462,221</u>	<u>\$ 3,511,319</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE 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			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 382,832	\$ 390,732	\$ 397,748	\$ 7,016
Licenses, Permits and Fees	-	100	225	125
Intergovernmental	91,286	1,343,603	1,339,601	(4,002)
Interest	42,000	157,000	162,306	5,306
Other	38,550	43,800	41,506	(2,294)
<i>Total Receipts</i>	<u>554,668</u>	<u>1,935,235</u>	<u>1,941,386</u>	<u>6,151</u>
Disbursements				
Current:				
General Government	609,289	628,289	324,267	304,022
Public Works	294,300	430,800	319,217	111,583
Health	76,475	77,475	33,950	43,525
Capital Outlay	730,300	147,465	21,482	125,983
<i>Total Disbursements</i>	<u>1,710,364</u>	<u>1,284,029</u>	<u>698,916</u>	<u>585,113</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,155,696)</u>	<u>651,206</u>	<u>1,242,470</u>	<u>591,264</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	200	200	-	-
Transfers Out	-	(262,143)	(262,143)	-
Advances Out	-	-	(1,050,000)	(1,050,000)
Other Financing Uses	(174,515)	(674,404)	-	674,404
<i>Total Other Financing Sources (Uses)</i>	<u>(174,315)</u>	<u>(936,347)</u>	<u>(1,312,143)</u>	<u>(375,596)</u>
<i>Net Change in Fund Balance</i>	(1,330,011)	(285,141)	(69,673)	215,668
<i>Fund Balance Beginning of Year</i>	1,296,543	1,296,543	1,296,543	-
Prior Year Encumbrances Appropriated	32,570	32,570	32,570	-
<i>Fund Balance End of Year</i>	<u>\$ (898)</u>	<u>\$ 1,043,972</u>	<u>\$ 1,259,440</u>	<u>\$ 215,668</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
FIRE DISTRICT 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	\$ 378,911	\$ 388,411	\$ 395,450	\$ 7,039
Intergovernmental	41,587	41,587	46,275	4,688
Miscellaneous	12,025	16,025	9,923	(6,102)
<i>Total receipts</i>	<u>432,523</u>	<u>446,023</u>	<u>451,648</u>	<u>5,625</u>
Disbursements				
Current:				
Public Safety	540,008	543,333	266,697	276,636
Capital Outlay	653,154	107,829	22,922	84,907
<i>Total Disbursements</i>	<u>1,193,162</u>	<u>651,162</u>	<u>289,619</u>	<u>361,543</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(760,639)</u>	<u>(205,139)</u>	<u>162,029</u>	<u>(367,168)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	500	500	-	(500)
Transfers Out	-	(1,604,000)	(1,604,000)	-
Advances In	-	1,050,000	1,050,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>500</u>	<u>(553,500)</u>	<u>(554,000)</u>	<u>(500)</u>
<i>Net Change in Fund Balance</i>	(760,139)	(758,639)	(391,971)	366,668
<i>Fund Balance Beginning of Year</i>	753,774	753,774	753,774	-
Prior Year Encumbrances Appropriated	6,502	6,502	6,502	-
<i>Fund Balance End of Year</i>	<u>\$ 137</u>	<u>\$ 1,637</u>	<u>\$ 368,305</u>	<u>\$ 366,668</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DLEAWARE COUNTY**

**STATEMENT OF NET ASSETS-CASH BASIS
DECEMBER 31, 2005**

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	<u>\$ 2,279,760</u>
<i>Total Assets</i>	<u><u>\$ 2,279,760</u></u>
Net Assets	
Restricted for:	
Debt Service	\$ 80,453
Other Purposes	870,195
Unrestricted	<u>1,329,112</u>
<i>Total Net Assets</i>	<u><u>\$ 2,279,760</u></u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$ 482,140	\$ 120,031	\$ -	\$ (362,109)
Public Safety	195,714	-	-	(195,714)
Public Works	378,326	-	133,335	(244,991)
Health	58,092	15,767	-	(42,325)
Other	3,148	-	-	(3,148)
Capital Outlay	328,681	-	-	(328,681)
Debt Service:				
Principal Retirement	5,364	-	-	(5,364)
<i>Total Governmental Activities</i>	<u>1,451,465</u>	<u>135,798</u>	<u>133,335</u>	<u>(1,182,332)</u>
		General Receipts		
		Property and Other Local Taxes Levied for:		
		General Purposes		693,824
		Other Taxes		2,938
		Grants and Entitlements not Restricted to Specific Programs		262,315
		Sale of Fixed Assets		3,800
		Interest		66,415
		Miscellaneous		18,290
		<i>Total General Receipts</i>		<u>1,047,582</u>
		Change in Net Assets		(134,750)
		<i>Net Assets Beginning of Year</i>		<u>2,414,510</u>
		<i>Net Assets End of Year</i>		<u>\$ 2,279,760</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General Fund	Fire District	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 1,329,113	\$ 760,276	\$ 190,371	\$ 2,279,760
<i>Total Assets</i>	<u>\$ 1,329,113</u>	<u>\$ 760,276</u>	<u>\$ 190,371</u>	<u>\$ 2,279,760</u>
Fund Balances				
Reserved:				
Reserved for Encumbrances	32,570	6,502	84,179	123,251
Reserved for Unclaimed Monies	52	-	-	52
Unreserved:				
General Fund	1,296,491	-	-	1,296,491
Special Revenue Funds	-	753,774	106,192	859,966
<i>Total Fund Balance</i>	<u>\$ 1,329,113</u>	<u>\$ 760,276</u>	<u>\$ 190,371</u>	<u>\$ 2,279,760</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	General	Fire District Fund	Other Governmental Funds	Total Governmental Funds
Receipts				
Property and Other Local Taxes	\$ 319,884	\$ 376,878	\$ -	\$ 696,762
Licenses, Permits and Fees	-	-	128,288	128,288
Intergovernmental	204,605	48,761	142,284	395,650
Interest	64,336	-	2,079	66,415
Miscellaneous	10,666	4,036	11,098	25,800
<i>Total Receipts</i>	<u>599,491</u>	<u>429,675</u>	<u>283,749</u>	<u>1,312,915</u>
Disbursements				
Current:				
General Government	375,602	-	106,538	482,140
Public Safety	-	194,963	751	195,714
Public Works	210,428	-	167,898	378,326
Health	34,503	-	23,590	58,093
Capital Outlay	2,752	310,876	15,052	328,680
Debt Service:				
Principal Retirement	-	-	5,364	5,364
<i>Total Disbursements</i>	<u>623,285</u>	<u>505,839</u>	<u>319,193</u>	<u>1,448,317</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(23,794)</u>	<u>(76,164)</u>	<u>(35,444)</u>	<u>(135,402)</u>
Other Financing Sources (Uses)				
Sale of Fixed Asset	-	3,000	800	3,800
Transfers In	-	-	10,358	10,358
Transfers Out	(10,358)	-	-	(10,358)
Advances In	-	-	16,000	16,000
Advances Out	(16,000)	-	-	(16,000)
Other Financing Uses	-	-	(3,148)	(3,148)
<i>Total Other Financing Sources (Uses)</i>	<u>(26,358)</u>	<u>3,000</u>	<u>24,010</u>	<u>652</u>
<i>Net Change in Fund Balances</i>	(50,152)	(73,164)	(11,434)	(134,750)
<i>Fund Balances Beginning of Year</i>	<u>1,379,265</u>	<u>833,440</u>	<u>201,805</u>	<u>2,414,510</u>
<i>Fund Balances End of Year</i>	<u>\$ 1,329,113</u>	<u>\$ 760,276</u>	<u>\$ 190,371</u>	<u>\$ 2,279,760</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$ 307,999	\$ 317,508	\$ 319,884	\$ 2,376
Intergovernmental	76,976	209,566	204,605	(4,961)
Earnings on Investments	16,236	52,150	64,336	12,186
Miscellaneous	17,260	11,755	10,666	(1,089)
<i>Total receipts</i>	<u>418,471</u>	<u>590,979</u>	<u>599,491</u>	<u>8,512</u>
Disbursements				
Current:				
General Government	262,258	488,077	408,172	79,905
Public Works	211,564	407,096	210,428	196,668
Health	53,050	55,650	34,503	21,147
Capital Outlay	516,449	513,100	2,752	510,348
<i>Total Disbursements</i>	<u>1,043,321</u>	<u>1,463,923</u>	<u>655,855</u>	<u>808,068</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(624,850)</u>	<u>(872,944)</u>	<u>(56,364)</u>	<u>(816,580)</u>
Other Financing Sources (Uses)				
Transfers Out	(4,600)	(13,600)	(10,358)	3,242
Advances Out	-	-	(16,000)	(16,000)
Other Financing Sources (Uses)	<u>(54,600)</u>	<u>(491,702)</u>	<u>-</u>	<u>491,702</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(59,200)</u>	<u>(505,302)</u>	<u>(26,358)</u>	<u>478,944</u>
<i>Net Change in Fund Balance</i>	(684,050)	(1,378,246)	(82,722)	1,295,524
<i>Fund Balance Beginning of Year</i>	1,370,656	1,370,656	1,370,656	-
Prior Year Encumbrances Appropriated	<u>8,609</u>	<u>8,609</u>	<u>8,609</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 695,215</u>	<u>\$ 1,019</u>	<u>\$ 1,296,543</u>	<u>\$ 1,295,524</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE 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		
Receipts				
Property and Other Local Taxes	\$ 364,121	\$ 374,082	\$ 376,878	\$ 2,796
Intergovernmental	43,681	46,927	48,761	1,834
Miscellaneous	4,500	3,935	4,036	101
<i>Total receipts</i>	<u>412,302</u>	<u>424,944</u>	<u>429,675</u>	<u>4,731</u>
Disbursements				
Current:				
Public Safety	288,321	299,372	197,813	101,559
Capital Outlay	18,759	962,013	314,528	647,485
<i>Total Disbursements</i>	<u>307,080</u>	<u>1,261,385</u>	<u>512,341</u>	<u>749,044</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>105,222</u>	<u>(836,441)</u>	<u>(82,666)</u>	<u>(753,775)</u>
Other Financing Sources (Uses)				
Sale of Fixed Assets	-	3,000	3,000	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>3,000</u>	<u>3,000</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	105,222	(833,441)	(79,666)	753,775
<i>Fund Balance Beginning of Year</i>	558,181	558,181	558,181	-
Prior Year Encumbrances Appropriated	<u>275,259</u>	<u>275,259</u>	<u>275,259</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 938,662</u>	<u>\$ (1)</u>	<u>\$ 753,774</u>	<u>\$ 753,775</u>

See accompanying notes to the basic financial statements

**BERLIN TOWNSHIP
DELAWARE COUNTY**

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

Note 1 – Reporting Entity

The Berlin Township, Delaware 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.

B. Component Units

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.

The Township did not have any component units in 2006 or 2005.

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 applicable to the 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.

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.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

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, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash balances 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 activity 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 financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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 governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Townships major funds are:

- 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.
- Fire District Fund. The Fire District receives property tax monies to provide fire services for the Township.
- Capital Project-New Fire Station Fund. The Capital Projects-New Fire Station Fund was established for the construction of the new fire station.

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

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

The Township's financial statements are prepared using the *modified* cash basis of accounting. Except for modifications having substantial support, 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 liabilities and the related expenses) 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.

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 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 resolution 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

During 2006 and 2005, the Township invested in STAR Ohio.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006 and December 31, 2005.

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 were \$162,306 and \$64,336 which includes \$3,784 and \$2,079 assigned from other Township funds.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Cash and cash equivalents are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation.

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.

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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

K. 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.

L. 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 road work, the Township's cemetery, the Township's fire protection services, and zoning services based on external restrictions imposed by laws and regulations. . 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.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved fund balance indicates that portion of fund balance which is available for appropriations in future periods. Fund balance reserves have been established for encumbrances and unclaimed monies.

N. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

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 *modified* cash basis of accounting described in note 2. 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

Twenty-two (22) percent of the transactions tested were not certified by the Treasurer at the time the commitment was incurred as required by Ohio Revised Code § 5705.41(D).

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 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). The encumbrances outstanding at year end (budgetary basis) amounted to \$17,917 in 2006 and \$32,570 in 2005 for the general fund, \$1,766 in 2006 and 19,980 in 2005 for the Fire District Fund.

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.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 - Deposits and Investments (Continued)

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).

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 2006, \$198,145 of the Township's bank balance of \$298,145 and year end 2005, \$92,188 of the Township's bank balance of \$192,188 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.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 6 - Deposits and Investments (Continued)

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.

Investments

As of December 31, 2006 and December 31, 2005 the Township had invested in STAR Ohio for \$3,309,617 and \$2,119,821.

Interest rate risk arises because the fair value of investments changes as interest rates change. The Township's addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

The STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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 2005 and 2006 represent the collection of 2004 and 2005 taxes. Real property taxes received in 2005 and 2006 were levied after October 1, 2004 and 2005, on the assessed values as of January 1, 2004 and 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 (2006) represent the collection of 2004 (2005) taxes. Public utility real and tangible personal property taxes received in 2005 (2006) became a lien on December 31, 2004 (2005), were levied after October 1, 2004 (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 2005 and 2006 (other than public utility property) represent the collection of 2005 and 2006 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004 and 2005, on the true value as of December 31, 2004 and 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.

The full tax rate for all Township operations for the year ended December 31, 2005 and 2006 were 5.3 and 5.78 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:

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 7 – Property Taxes (Continued)

	<u>2006</u>	<u>2005</u>
Real Property		
Residential	178,047,670	196,554,330
Agricultural	4,793,450	4,577,270
Commercial/Industrial	13,225,590	13,396,530
Public Utility/Other	66,050	79,460
 Tangible Personal Property		
Tangible	2,537,160	1,692,400
Public Utility	<u>6,371,440</u>	<u>5,938,690</u>
 Total Assessed Value	205,041,360	222,238,680

Note 8 – Risk Management

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty Coverage

For an occurrence prior to January 1, 2006 OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management (Continued)

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005.

<u>Casualty Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$32,031,312	\$30,485,638
Liabilities	(11,443,952)	(12,344,576)
Retained earnings	<u>\$20,587,360</u>	<u>\$18,141,062</u>

<u>Property Coverage</u>	<u>2006</u>	<u>2005</u>
Assets	\$10,010,963	\$9,177,796
Liabilities	(676,709)	(1,406,031)
Retained earnings	<u>\$9,334,254</u>	<u>\$7,771,765</u>

At December 31, 2006 and 2005, respectively, casualty coverage liabilities noted above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 958 member governments in the future, as of December 31, 2006 and 2005, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$50,738. This payable includes the subsequent year's contribution due if the

Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 8 – Risk Management (Continued)

<u>Contributions to OTARMA</u>	
2004	\$115
2005	\$11,387
2006	\$ 25,369

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

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.

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 and December 31, 2005, the members of all three plans, were required to contribute 9 percent and 8.5% of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 and 2005 was 13.7 and 12.7 percent. 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, 2005, and 2004 were \$ 55,282, \$ 46,794, and \$56,007 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

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. 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; 4.5 percent of covered payroll was the portion that was used to fund health care. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4 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 6.30 percent based on additional annual pay increases. Health care costs 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 value. 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 \$3,894. 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.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. 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.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)**

Note 11--Debt

The Township's long-term debt activity for the year ended December 31, 2005 and 2006 was as follows:

	Interest Rate	Balance December 31, 2004	Additions	Reductions	Balance December 31, 2005	Due Within One Year
<u>Governmental Activities</u>						
Ohio Public Works Loan 1998 Issue (\$71,654)	0%	\$53,740	\$0	\$3,583	\$50,157	\$3,583
Ohio Public Works Loan 1999 issue (\$35,616)	0%	28,493	0	1,781	26,712	1,781
Total		<u>\$82,233</u>	<u>\$0</u>	<u>\$5,364</u>	<u>\$76,869</u>	<u>\$5,364</u>

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Ohio Public Works Commission Loan; 1998 Issue (\$71,654)	0%	\$50,157	\$0	\$3,583	\$46,574	\$3,583
Ohio Public Works Commission Loan; 1999 issue (\$35,616)	0%	26,712	0	1,781	24,931	1,781
Total		<u>\$76,869</u>	<u>\$0</u>	<u>\$5,364</u>	<u>\$71,505</u>	<u>\$5,364</u>

The following is a summary of the Township's future annual debt service requirements:

Year	Ohio Public Works Commission Loans Principal
2007	\$5,364
2008	5,364
2009	5,364
2010	5,364
2011	5,364
2012-2016	26,820
2017-2021	17,865
Totals	<u>\$71,505</u>

Note 12—Interfund Transfers

During 2006 and 2005 the following transfers were made:

2006 transfers from the General Fund to:	
Capital Projects New Fire District Fund	\$48,611
Other Governmental Funds	213,532
Total Transfers from the General Fund	<u>\$262,143</u>

BERLIN TOWNSHIP
DELAWARE COUNTY

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
(Continued)

Note 12—Interfund Transfers (Continued)

2006 transfers from the Fire District Fund to:	
Capital Projects New Fire District Fund	\$1,604,000
2005 transfers from the General Fund to:	
Other Governmental Funds	10,358

In 2006 the Township transferred monies from the Fire District Fund for the construction of a new building for the fire department.

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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

Berlin Township
Delaware County
3271 Cheshire Road
Delaware, Ohio 43015

To the Township Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Berlin Township, Delaware County, (the Township) as of and for the years ended December 31 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 20, 2007, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34. 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 audit procedures for expressing our opinions on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

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 through 2006-003.

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 weakness. However, of the significant deficiencies described above, we believe finding number 2006-003 is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 20, 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 and 2006-002.

We also noted certain noncompliance or other matter not requiring inclusion in this report that we reported to the Township's management in a separate letter dated July 20, 2007.

The Township's responses to the finding identified in our audit are described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

July 20, 2007

BERLIN TOWNSHIP
DELAWARE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005

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

FINDING NUMBER 2006-001

Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. . Every such contract made without such a certificate shall be void and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Board of Trustees can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Twenty-two (22) percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-001 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the fiscal officer certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

Corrections have been implemented for the use of "Then and Now" and/or Blanket Certificates. It is believed that some of the items tested were specifically to year 2007, therefore, they were not encumbered in 2006.

FINDING NUMBER 2006-002

Noncompliance Citation and Significant Deficiency

Ohio Revised Code § 5735.29 outlines that the State increased the Fuel Excise Tax rates from 2 cents per gallon to 4 cents per gallon July 1, 2003; to 6 cents per gallon July 1, 2004 and to 8 cents per gallon July 1, 2005. Townships must disburse Fuel Excise Taxes for the highway-related purposes stated in Ohio Revised Code § 5735.29. These purposes include costs related to constructing or maintaining (etc.): state highways, public bridges, public street signs and public traffic lights and certain public harbors and waterways. Also, Townships shall use at least ninety per cent of all Fuel Excise Taxes to supplement, rather than supplant, other local funds used for highway-related purposes.

The Township posts all fuel excise tax to the Gasoline Tax Fund. In 2006 and 2005 the Township paid \$17,060 and \$1,103 in disbursements from the Gasoline Tax Fund that were not for highway-related purposes as outlined in Ohio Revised Code § 5735.29. These expenditures included payments made for monthly utilities, monthly cell phone payments, liability insurance, uniforms, office supplies and attorney fees related to road employees.

Adjustments have been posted to the beginning fund balance for 2007 by the Township Fiscal Officer to the financial statements and the accounting records.

The Board of Trustees should monitor the expenditures from the Gasoline Tax Fund each month to ensure that the fuel excise taxes are directly used for highway-related purposes.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-002 (Continued)

Noncompliance Citation and Significant Deficiency (Continued)

Officials' Response:

Corrections have been implemented to use Gasoline Tax Fund for specific purposes as outlined in Ohio Revised Code Section 5735.29. The Gasoline Tax Fund has been appropriately adjusted to correct 2006 and 2005.

FINDING NUMBER 2006-003

Significant Deficiency and Material Weakness

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.

The following audit reclassifications and adjustments were made to the December 31, 2006 financial statements:

1. In Governmental Activities \$3,308,501 of investments was reclassified as Equity in Pooled Cash & Cash Equivalents to properly reflect actual Cash & Cash Equivalents at year end.
2. Agency Fund receipts of \$1,064 were adjusted to be reflected as miscellaneous revenue in the General Fund to properly account for unclaimed funds.
3. In the Governmental Activities and Other Governmental Funds \$37,989 of permissive motor vehicle license taxes was reclassified from property tax and other local tax to intergovernmental receipts.
4. In the Other Governmental Funds \$11,491 was adjusted to report additional reserve for encumbrances to account for Zoning Fund expenditures incurred by the Township before December 31, 2006.
5. Several adjustments were made to the Original and Final Budget amounts on the Statement of Receipts, Disbursements, and Changes in Fund Balance- Budget and Actual- Budget Basis
6. Statements for the General Fund and the Fire District Fund to ensure that reported amounts agreed with the Certificate of Estimated Resources and the Appropriation Resolutions approved by the Board of Trustees and filed with the County Auditor.
7. Several reclassifications were made to properly reflect program and general revenues on the Statement of Activities.

The following audit reclassifications and adjustments were made to the December 31, 2005 financial statements:

1. In Governmental Activities and Other Governmental Funds \$27,890 of permissive motor vehicle license taxes was reclassified from property tax and other local tax to intergovernmental receipts.
2. Agency Fund receipts of \$52 were adjusted to be reflected as miscellaneous revenue in the General Fund to properly account for unclaimed funds.
3. On the 2005 Statement of Cash Receipts, Disbursements, and Changes in Cash Basis Fund Balance and the Statement of Cash Basis Assets and Fund Balance the Township presented the Motor Vehicle License Tax, Gasoline Tax, Cemetery, Zoning and Permissive Motor Vehicle License Funds as Major. However, these funds are not considered major by the Township. We have made adjustments to reflect these funds in one column as Other Governmental Funds.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003 (Continued)

Significant Deficiency and Material Weakness (Continued)

4. Several adjustments were made to the Original and Final Budget amounts on the Statement of Receipts, Disbursements, and Changes in Fund Balance- Budget and Actual- Budget Basis Statements for the General Fund and the Fire District Fund to ensure that reported amounts agreed with the Certificate of Estimated Resources and the Appropriation Resolutions approved by the Board of Trustees and filed with the County Auditor.
5. Several reclassifications were made to properly reflect program and general revenues on the Statement of Activities.

The following audit adjustments and reclassifications were inconsequential to the overall financial statements of the Township and were not posted to the December 31, 2006 financial statements.

1. In the General Fund and Governmental Activities \$4,948 of tax revenue was reclassified as intergovernmental revenue for rollback and homestead, personal property tax exemption, public utility property tax reimbursement, and real estate surplus receipts collected by the Township during the year.
2. In the Fire District Fund and Governmental Activities \$5,477 of tax revenue was reclassified as intergovernmental revenue for rollback and homestead, personal property tax exemption, public utility property tax reimbursement, and real estate surplus receipts collected by the Township during the year.

The adjustments and reclassifications identified above should be reviewed by the fiscal officer to ensure that similar errors are not reported on the financial statements in subsequent years. In addition, the Township should adopt policies and procedures, including a final review of the financial statements and note disclosures by the fiscal officer and governing board, to identify and correct errors and omissions.

Officials' Response:

This audit was the Township's first audit under Statement of Auditing Standards Number 112, Communicating Internal Control Related Matters Identified in an Audit (SAS No. 112). We were not aware that as a result of this new standard that the adjustments and reclassifications identified during the audit would be considered a significant deficiency and material weakness. Below are responses for each adjustment and reclassification identified above.

Reclassifications and adjustments for 2006:

- (1) No response.
- (2) Agency Fund (Unclaimed Monday Fund) will be deleted. Fund balance has been transferred to the General Fund, Miscellaneous Revenue.
- (3) New account will be added to reflect Permissive Motor Vehicle License Tax receipts as intergovernmental receipts.
- (4) It is believed that additional encumbrances for the Zoning Fund may have included a 2006 dated notice for 2007 Delaware County Regional Planning Commission membership dues which was not a 2006 expenditure.
- (5) Amended Certificates are filed periodically throughout the year. These revenue amendments affect the final budget amounts and in turn affect the final appropriations.

**BERLIN TOWNSHIP
DELAWARE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2006 AND 2005
(Continued)**

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

FINDING NUMBER 2006-003 (Continued)

Significant Deficiency and Material Weakness (Continued)

Officials' Response (Continued):

Reclassifications and adjustments for 2006: (Continued)

(6) As amended certificates are filed, it is not necessary that all amounts from the certificate be appropriated. Amounts are always available for appropriation at a later time as long as appropriations never exceed the amended certificate and sometime appropriations at a later date.

(7) No comments.

Reclassifications and adjustment for 2005:

(1) New account will be added to reflect Permissive Motor Vehicle License Tax receipts as intergovernmental receipts.

(2) Agency Fund (Unclaimed Money Fund) will be deleted. Fund balance has been transferred to the General Fund, Miscellaneous Revenue.

(3) Future year end reports to be corrected as Other Governmental Funds, not major funds.

(4) Request more information as to use of amended certificates. They are necessitated by unknown changes to revenue therefore requiring changes which will not necessarily agree with either the official certificate or final amended certificate. All affect the budget and appropriations.

(5) No comments.

Inconsequential reclassifications and adjustments:

(1) New account numbers to be established reflecting rollback and homestead, personal property tax exemption, public utility property tax reimbursement and real estate surplus receipts as intergovernmental revenue.

(2) New account numbers to be established.



Mary Taylor, CPA
Auditor of State

BERLIN TOWNSHIP

DELAWARE 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
NOVEMBER 8, 2007**