



**Auditor of State
Betty Montgomery**

BYRD TOWNSHIP
BROWN COUNTY

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**Auditor of State
Betty Montgomery**

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

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 11, 2005

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to 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 provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe that our audit provides a reasonable basis for our opinion.

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2004. Instead of the combined funds the accompanying financial statements present for 2004 (and 2003), the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the year ended December 31, 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2004, or their changes in financial position for the year then ended.

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

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2005, 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.



Betty Montgomery
Auditor of State

October 11, 2005

**BYRD TOWNSHIP
BROWN COUNTY**

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

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Fiduciary Funds</u>	
Cash Receipts:				
Local Taxes	\$13,365	\$33,017		\$46,382
Intergovernmental	13,698	81,699		95,397
Earnings on Investments	415	249	22	686
Other Revenue	5	15,175		15,180
	<u>27,483</u>	<u>130,140</u>	<u>22</u>	<u>157,645</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
General Government	31,632	13,853		45,485
Public Safety		19,205		19,205
Public Works		59,283		59,283
Health		4,715		4,715
Capital Outlay		40,607		40,607
Debt Service:				
Redemption of Principal		8,890		8,890
Interest Charges		1,667		1,667
	<u>31,632</u>	<u>148,220</u>	<u>0</u>	<u>179,852</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	(4,149)	(18,080)	22	(22,207)
Other Financing Receipts:				
Proceeds of Bonds		28,000		28,000
Sale of Assets	4,400	3		4,403
	<u>4,400</u>	<u>28,003</u>	<u>0</u>	<u>32,403</u>
Total Other Financing Sources				
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursement	251	9,923	22	10,196
Fund Cash Balances, January 1	7,049	62,430	1,343	70,822
Fund Cash Balances, December 31	<u>\$7,300</u>	<u>\$72,353</u>	<u>\$1,365</u>	<u>\$81,018</u>

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

**BYRD TOWNSHIP
BROWN COUNTY**

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

	<u>Governmental Fund Types</u>			<u>Fiduciary Funds</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>		
Cash Receipts:					
Local Taxes	\$11,722	\$30,807			\$42,529
Intergovernmental	25,003	70,100	56,988		152,091
Earnings on Investments	253	185		34	472
Other Revenue		13,645			13,645
Total Cash Receipts	36,978	114,737	56,988	34	208,737
Cash Disbursements:					
Current:					
General Government	32,530	10,589			43,119
Public Safety		17,621			17,621
Public Works		38,565			38,565
Health		5,241			5,241
Capital Outlay	100	3,987	56,988		61,075
Debt Service:					
Redemption of Principal		8,890			8,890
Interest Charges	0	2,230			2,230
Total Cash Disbursements	32,630	87,123	56,988	0	176,741
Total Receipts Over Disbursements	4,348	27,614	0	34	31,996
Other Financing Receipts and (Disbursements):					
Operating Transfers-In		11,693			11,693
Operating Transfers-Out		(11,693)			(11,693)
Sale of Assets	770	1,228			1,998
Total Other Financing Receipts	770	1,228	0	0	1,998
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursement	5,118	28,842	0	34	33,994
Fund Cash Balances, January 1	1,931	33,588	0	1,309	36,828
Fund Cash Balances, December 31	\$7,049	\$62,430	\$0	\$1,343	\$70,822

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

**BYRD TOWNSHIP
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Byrd Township, Brown County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township's management believes these financial statements present all activities for which the Township is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

C. Cash Deposits

The Township maintains an interest-bearing checking account and one certificate of deposit.

D. Fund Accounting

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

1. General Fund

The General Fund reports all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

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

Fire Levy Fund – This fund receives proceeds from the property tax levy for providing fire protection to Township residents.

Gasoline Tax Fund - This fund receives gasoline tax money to construct, maintain, and repair Township roads.

BYRD TOWNSHIP
BROWN COUNTY

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

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

3. **Capital Projects Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects. The Township had the following significant capital project fund:

Issue II Fund

The Township received a grant from the State of Ohio in 2004 for a Township road paving project. This fund accounts for monies paid by the State directly to contractors for road paving projects on behalf of the Township.

4. **Nonexpendable Trust Funds**

Trust Funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. The Township had the following significant Nonexpendable Trust Funds:

Cemetery Bequest Fund- These funds were established as a result of a bequest of money restricted for the maintenance of the Township's Cemetery. The principal of each fund is maintained intact and the interest used for cemetery maintenance.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. **Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) July not exceed appropriations at the fund, function or object level of control, and appropriations July not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. **Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

3. **Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be re-appropriated.

A summary of 2004 and 2003 budgetary activity appears in Note 3.

**BYRD TOWNSHIP
BROWN COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property, Plant, and Equipment

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

2. EQUITY IN POOLED CASH

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

	<u>2004</u>	<u>2003</u>
Demand Deposits	\$79,653	\$69,479
Certificates of Deposits	<u>\$1,365</u>	<u>\$1,343</u>
Total Deposits	<u><u>\$81,018</u></u>	<u><u>\$70,822</u></u>

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

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending follows:

2004 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$31,011	\$31,883	\$872
Special Revenue	115,213	158,143	42,930
Total	<u><u>\$146,224</u></u>	<u><u>\$190,026</u></u>	<u><u>\$43,802</u></u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

<u>Fund Type</u>	<u>Appropriation</u> <u>Authority</u>	<u>Budgetary</u> <u>Expenditures</u>	<u>Variance</u>
General	\$36,060	\$31,632	4,428
Special Revenue	167,143	148,220	18,923
Total	<u><u>\$203,203</u></u>	<u><u>\$179,852</u></u>	<u><u>\$23,351</u></u>

2003 Budgeted vs. Actual Receipts

<u>Fund Type</u>	<u>Budgeted</u> <u>Receipts</u>	<u>Actual</u> <u>Receipts</u>	<u>Variance</u>
General	\$35,982	\$37,748	\$1,766
Special Revenue	119,351	127,658	8,307
Capital Projects		56,988	56,988
Total	<u><u>\$155,333</u></u>	<u><u>\$222,394</u></u>	<u><u>\$67,061</u></u>

**BYRD TOWNSHIP
BROWN COUNTY**

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

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$37,531	\$32,630	4,901
Special Revenue	143,603	98,816	44,787
Capital Projects	0	56,988	(56,988)
Total	\$181,134	\$188,434	(\$7,300)

Contrary to Ohio Rev. Code Section 5705.41B, the expenditures in the Issue II fund exceeded appropriations by \$56,988.

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopt rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

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

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

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	Principal	Interest Rate
Fire Truck Acquisition Notes	\$ 17,780	6.27%
Truck Acquisition Notes	\$ 28,000	3.71%

The Fire Truck Acquisition Notes were issued in 1997 for the purchase of a new fire truck. The notes will be repaid over ten years with not less than the principal amount on the \$80,000 note being paid annually. The final note will mature on September 5, 2007.

The Truck Acquisition Notes were issued April 9, 2004 for the purchase of a new truck. The notes will be repaid over three years with not less than the principal amount on the \$28,000 note being paid annually. The final note will mature on April 9, 2007.

**BYRD TOWNSHIP
BROWN COUNTY**

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

5. DEBT (Continued)

Amortization of the above debt including interest, is scheduled as follows:

Year ending <u>December 31:</u>	Fire Truck <u>Acquisition Notes</u>	Truck <u>Acquisition Notes</u>
2005	\$ 10,005	\$10,437
2006	9,447	10,090
2007	<u>0</u>	<u>9,541</u>
Total	<u>\$19,452.</u>	<u>\$30,068</u>

6. RETIREMENT SYSTEMS

Township officials and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS are cost-sharing, multiple-employer plans. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2002 and 2001, members of PERS contributed 8.5% of their gross salaries to PERS. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2004.

7. RISK MANAGEMENT

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Inland Marine
- Township Official's Liability
- Data Processing

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Auditor of State Betty Montgomery

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

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

To the Board of Trustees:

We have audited the financial statements of the Byrd Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2004 and 2003, and have issued our report thereon dated October 11, 2005, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. 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 to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 11, 2005, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

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 an instance of noncompliance or another matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2004-001. In a separate letter to the Township's management dated October 11, 2005, we reported other matters related to noncompliance we deemed immaterial.

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Byrd Township
Brown County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the audit committee, management, and Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

October 11, 2005

BYRD TOWNSHIP
BROWN COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2004 AND 2003

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

FINDING NUMBER 2004-001

Material Noncompliance Citation

Ohio Rev. Code, Section 5705.41 (B), states in part that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations in the following fund for 2003.

Fund	Appropriations	Actual Expenditures	Variance
Issue II Fund	-	\$ 56,988	(\$ 56,988)

During 2003, the Township received Issue II grant funds. The Township did not amend appropriations for the grant resulting in expenditures exceeding appropriations. Township management should review Auditor of State Bulletin 2002-004 regarding guidance in accounting and budgeting for Issue II funds.

The Clerk may request Trustees to approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

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**BYRD TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004 AND 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Revised Code 5705.41(B) expenditures exceeded appropriations.	No	Reissued as finding #2004-001.
2002-002	Revised Code, Section 5705.10, the Motor Vehicle Fund had a negative fund balance	Corrected	N/A



**Auditor of State
Betty Montgomery**

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BYRD TOWNSHIP

BROWN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 10, 2005**