



Mary Taylor, CPA
Auditor of State

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

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LORAIN COUNTY**

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Mary Taylor, CPA

Auditor of State

Brownhelm Township
Lorain County
1940 North Ridge Road
Vermilion, Ohio 44089

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 Brownhelm Township, Lorain County, Ohio (the Township), as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinions.

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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Brownhelm Township, Lorain County, Ohio, as of December 31, 2007 and December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, and Gasoline Tax funds thereof for the year ended December 31, 2007 and the budgetary comparison for the General and Road and Bridge Funds thereof for the year ended December 31, 2006 in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 29, 2008, 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 audits.

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

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

Mary Taylor, CPA
Auditor of State

July 29, 2008

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of Brownhelm Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased by \$68,038 or 22.23 percent, a significant change from the prior year. This increase was a result of increases in various fund balances including the General, Gas Tax, Road and Bridge, and Equipment Reserve Funds.

The Township's general receipts are primarily property taxes. These receipts represent 55.17 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 increased approximately 15 percent over 2006. The property taxes include general property tax, tangible personal property tax, and the manufactured home tax. Total receipts for 2007 decreased 31.7 percent over 2006. This substantial decrease is due to the \$330,731 received from the Ohio Public Works Commission for the Gore Orphanage Road slip reconstruction project in 2006. If receipts from 2007 and 2006 are compared without using any OPWC revenue funds, there was a 14.14 percent increase.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

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

In the statement of net assets and the statement of activities, we present the Township's governmental activities. All of the Township's basic services are reported here, including streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

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

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

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has one Fiduciary Fund for collecting a state commercial building fee, which had a zero balance at December 31, 2007.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006.

(Table 1)
Net Asset

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	374,115	306,077
Total Assets	374,115	306,077
Net Assets		
Restricted for:		
Capital Projects	46,677	26,677
Other Purposes	148,791	116,773
Unrestricted	178,647	162,627
Total Net Assets	374,115	306,077

As mentioned previously, net assets of the Township activities increased \$60,632 or 22.23% during 2007. The primary reasons contributing to the increases in cash balances are as follows:

- General receipts, primarily property and other local taxes and intergovernmental revenues increased \$54,457 or 14.04 percent.
- The Township contracted with the City of Vermilion for various road improvements. As of December 31, 2007 the projects had not been completed, but approximately \$70,000 of the General Funds balance was encumbered for the projects. As a result, cash basis expenditures were less than in 2006.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Table 2 reflects the changes in net assets in 2007 compared to 2006 on a cash basis.

(Table 2)
Change in Net Assets

	<u>Governmental Activities 2007</u>	<u>Governmental Activities 2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$16,676	\$18,642
Operating Grants and Contributions	103,440	86,242
Capital Grants and Contributions		330,731
Total Program Receipts	<u>120,116</u>	<u>435,615</u>
General Receipts:		
Property and Other Local Taxes	310,266	269,055
Grants and Entitlements Not Restricted To Specific Programs	123,635	105,815
Earnings on Investments	7,537	10,858
Miscellaneous	832	2,085
Total General Receipts	<u>442,270</u>	<u>387,813</u>
Total Receipts	<u>562,386</u>	<u>823,428</u>
Disbursements:		
General Government	168,148	\$154,550
Public Safety	38,583	43,472
Public Works	218,563	302,530
Health	11,932	11,659
Conservation-Recreation	8,859	3,711
Other	1,488	1,869
Capital Outlay	46,775	366,269
Total Disbursements	<u>494,348</u>	<u>884,060</u>
Increase (Decrease) in Net Assets	68,038	(60,632)
Net Assets, January 1	<u>306,077</u>	<u>366,709</u>
Net Assets, December 31	<u>\$374,115</u>	<u>\$306,077</u>

Program receipts represent 21.36 percent of total receipts which is primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as building permits and inspection fees.

General receipts represent 78.64 percent of the Township's total receipts of governmental activities, and of this amount, 70.15 percent are local taxes. State grants and entitlements make up 27.95 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Disbursements for general government represent the overhead costs of running the township and the support services provided for the other township activities. These include the costs of the Board of Trustees, and the Fiscal Officer, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on page 10, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Public Works and General Government which account for 44.21 and 34.01 percent of all governmental disbursements, respectively. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2007	Net Cost of Services 2007	Total Cost Of Services 2006	Net Cost of Services 2006
General Government	\$168,148	(\$158,872)	\$154,550	(\$143,633)
Public Safety	38,583	(38,583)	43,472	(43,472)
Public Works	218,563	(115,123)	302,530	(216,288)
Health	11,932	(4,532)	11,659	(3,934)
Conservation-Recreation	8,859	(8,859)	3,711	(3,711)
Other	1,488	(1,488)	1,869	(1,869)
Capital Outlay	46,775	(46,775)	366,269	(35,538)
Total Expenses	\$494,348	(\$374,232)	\$884,060	(\$448,445)

General Fund Budgeting Highlights

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

The Township did not amend the original General Fund Budget during 2007. The difference between budgeted receipts and actual receipts was not significant.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Debt

At December 31, 2007, the Township had no outstanding debt.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Marsha Funk, Fiscal Officer, Brownhelm Township, 1940 North Ridge Road, Vermilion, OH 44089.

BROWNHELM TOWNSHIP
LORAIN COUNTY
Statement of Net Assets
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$374,115
<i>Total Assets</i>	\$374,115
 Net Assets	
Restricted for:	
Capital Projects	\$46,677
Other Purposes	148,791
Unrestricted	178,647
<i>Total Net Assets</i>	\$374,115

See accompanying notes to the basic financial statements

BROWNHELM TOWNSHIP
LORAIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$168,148	\$9,276	\$0	(\$158,872)
Public Safety	38,583		0	(38,583)
Public Works	218,563	0	103,440	(115,123)
Health	11,932	7,400	0	(4,532)
Conservation-Recreation	8,859	0	0	(8,859)
Other	1,488	0	0	(1,488)
Capital Outlay	46,775	0	0	(46,775)
<i>Total Governmental Activities</i>	<u>494,348</u>	<u>16,676</u>	<u>103,440</u>	<u>(374,232)</u>
General Receipts				
Property Taxes				\$310,266
Grants and Entitlements not Restricted to Specific Programs				123,635
Earnings on Investments				7,537
Miscellaneous				832
<i>Total General Receipts</i>				<u>442,270</u>
Change in Net Assets				68,038
<i>Net Assets Beginning of Year</i>				<u>306,077</u>
<i>Net Assets End of Year</i>				<u><u>374,115</u></u>

See accompanying notes to the basic financial statements

BROWNHELM TOWNSHIP
LORAIN COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	EQUIPMENT RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets						
Equity in Pooled Cash and Cash Equivalents	\$178,647	\$29,114	\$87,413	\$46,677	\$32,264	\$374,115
<i>Total Assets</i>	<u>\$178,647</u>	<u>\$29,114</u>	<u>\$87,413</u>	<u>\$46,677</u>	<u>\$32,264</u>	<u>\$374,115</u>
Fund Balances						
Reserved:						
Reserved for Encumbrances	\$79,591	\$13,450	\$22,667	\$40,000	\$27,444	\$183,152
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	99,056	0	0	0	0	99,056
Special Revenue Funds	0	15,664	64,746	0	32,264	112,674
Capital Projects Funds	0	0	0	6,677	(27,444)	(20,767)
<i>Total Fund Balances</i>	<u>\$178,647</u>	<u>\$29,114</u>	<u>\$87,413</u>	<u>\$46,677</u>	<u>\$32,264</u>	<u>\$374,115</u>

See accompanying notes to the basic financial statements

**BROWHELM TOWNSHIP
LORAIN COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007*

	GENERAL	GASOLINE TAX	ROAD AND BRIDGE	EQUIPMENT RESERVE	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts						
Property and Other Local Taxes	\$215,935	\$0	\$94,331	\$0	\$0	\$310,266
Licenses, Permits and Fees	9,276	0	0	0	3,600	12,876
Intergovernmental	77,821	96,245	10,672	0	42,336	227,074
Earnings on Investments	7,497	20	0	0	21	7,538
Miscellaneous	10	0	601	0	4,021	4,632
Total Receipts	310,539	96,265	105,604	0	49,978	562,386
Disbursements						
Current:						
General Government	168,148	0	0	0	0	168,148
Public Safety	38,583	0	0	0	0	38,583
Public Works	42,088	83,833	84,589	0	8,053	218,563
Health	5,751	0	0	0	6,181	11,932
Conservation-Recreation	4,461	0	0	0	4,398	8,859
Other	1,488	0	0	0	0	1,488
Capital Outlay	0	0	0	0	46,775	46,775
Total Disbursements	260,519	83,833	84,589	0	65,407	494,348
Excess of Receipts Over (Under) Disbursements	50,020	12,432	21,015	0	(15,429)	68,038
Other Financing Sources (Uses)						
Transfers In	0	0	0	20,000	14,000	34,000
Transfers Out	(34,000)	0	0	0	0	(34,000)
Total Other Financing Sources (Uses)	(34,000)	0	0	20,000	14,000	0
Net Change in Fund Balances	16,020	12,432	21,015	20,000	(1,429)	68,038
Fund Balances Beginning of Year	162,627	16,682	66,398	26,677	33,693	306,077
Fund Balances End of Year	\$178,647	\$29,114	\$87,413	\$46,677	\$32,264	\$374,115

See accompanying notes to the basic financial statements

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$219,582	\$219,582	\$215,935	(\$3,647)
Licenses, Permits and Fees	13,838	13,838	9,276	(4,562)
Intergovernmental	84,401	84,401	77,821	(6,580)
Earnings on Investments	5,000	5,000	7,497	2,497
Miscellaneous			10	10
<i>Total receipts</i>	<u>322,821</u>	<u>322,821</u>	<u>310,539</u>	<u>(12,282)</u>
Disbursements				
Current:				
General Government	185,826	185,826	168,148	17,678
Public Safety	46,235	46,235	38,583	7,652
Public Works	139,522	139,522	121,679	17,843
Health	5,751	5,751	5,751	0
Conservation-Recreation	4,500	4,500	4,461	39
Other	4,100	4,100	1,488	2,612
Capital Outlay	0	0	0	0
<i>Total Disbursements</i>	<u>385,934</u>	<u>385,934</u>	<u>340,110</u>	<u>45,824</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(63,113)</u>	<u>(63,113)</u>	<u>(29,571)</u>	<u>33,542</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(34,000)</u>	<u>(34,000)</u>	<u>(34,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(34,000)</u>	<u>(34,000)</u>	<u>(34,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(97,113)</u>	<u>(97,113)</u>	<u>(63,571)</u>	<u>33,542</u>
<i>Fund Balance Beginning of Year</i>	121,330	121,330	121,330	0
Prior Year Encumbrances Appropriated	<u>41,297</u>	<u>41,297</u>	<u>41,297</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$65,514</u>	<u>\$65,514</u>	<u>\$99,056</u>	<u>\$33,542</u>

See accompanying notes to the basic financial statements

**BROWNHelm TOWNSHIP
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	(Optional)
	Original	Final		Variance with Final Budget Positive (Negative)
Receipts				
Intergovernmental	\$82,400	\$95,000	\$96,245	\$1,245
Earnings on Investments	20	20	20	0
<i>Total receipts</i>	<u>82,420</u>	<u>95,020</u>	<u>96,265</u>	<u>1,245</u>
Disbursements				
Current:				
Public Works	86,000	87,150	85,833	1,317
Capital Outlay	0	11,450	11,450	0
<i>Total Disbursements</i>	<u>86,000</u>	<u>98,600</u>	<u>97,283</u>	<u>1,317</u>
<i>Net Change in Fund Balance</i>	(3,580)	(3,580)	(1,018)	2,562
<i>Unencumbered Cash Balance Beginning of Year</i>	16,682	16,682	16,682	0
Prior Year Encumbrances Appropriated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$13,102</u>	<u>\$13,102</u>	<u>\$15,664</u>	<u>\$2,562</u>

See accompanying notes to the basic financial statements

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$86,042	\$86,042	\$94,331	\$8,289
Intergovernmental	10,593	10,593	10,672	79
Miscellaneous	0	0	601	601
<i>Total receipts</i>	<u>96,635</u>	<u>96,635</u>	<u>105,604</u>	<u>8,969</u>
Disbursements				
Current:				
Public Works	120,862	120,862	86,496	34,366
Capital Outlay	20,760	20,760	20,760	0
<i>Total Disbursements</i>	<u>141,622</u>	<u>141,622</u>	<u>107,256</u>	<u>34,366</u>
<i>Net Change in Fund Balance</i>	(44,987)	(44,987)	(1,652)	43,335
<i>Unencumbered Cash Balance Beginning of Year</i>	63,680	63,680	63,680	0
Prior Year Encumbrances Appropriated	<u>2,718</u>	<u>2,718</u>	<u>2,718</u>	<u>0</u>
<i>Unencumbered Cash Balance End of Year</i>	<u>\$21,411</u>	<u>\$21,411</u>	<u>\$64,746</u>	<u>\$43,335</u>

See accompanying notes to the basic financial statements

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Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 1 – Reporting Entity

Brownhelm Township, Lorain 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 Township consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Vermilion, Florence Township, and the Township of South Amherst for fire protection. Police protection is provided by the Lorain County Sheriff.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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' deductible. The Township filed no claims with OTARMA in 2007. This organization is discussed in note 10.

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 and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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.

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 nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

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

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 divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road & Bridge Fund, Gasoline Tax Fund and the Equipment Reserve 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. The Road & Bridge Fund receives revenues from the Lorain County Property tax. This fund is used for purposes relating to roads and bridges, including maintenance and repairs to roadways and ditches, snowplowing, salting, and maintenance and repairs to road equipment. The Gasoline Tax Fund receives revenues from the state gas tax and is used to pay the salaries of road laborers and road repair contracts. The Equipment Reserve Fund receives revenues transferred from the Township's General Fund. This fund is to accumulate funding for the purchase of large road equipment.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Township only utilizes an agency fund. This fund is used to collect and remit a three percent assessment of permit fees to the State Board of Building Standards. This fee is only collected on commercial building permits. This fund has a zero balance at year end.

C. Basis of Accounting

The Township's financial statements are prepared using the 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. Any such modifications made by the Township are described in the appropriate section in this note.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2007, 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 at the end of any specific day.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments 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. No advances were made in 2007.

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 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 7 and 8, 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 the purchase of major equipment, i.e. heavy trucks, pickup trucks, backhoes, graders, etc. Currently there is \$6,677 available in the equipment reserve fund.

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.

M. Interfund Transactions

Transfers between governmental activities are eliminated on the government-wide financial statements.

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. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3– Accountability and Compliance

A. Accountability

There were no deficit fund balances.

B. Compliance

There were no compliance violations identified.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax fund, and Road & Bridge fund, is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$79,591 for the General Fund, \$22,667 for the Road and Bridge Fund, and \$13,450 for the Gasoline Tax Fund.

Note 5 – Deposits and Investments

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Deposits and Investments (continued)

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

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

At year end, the Township had no un-deposited cash on hand.

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, the carrying amount of the Township's deposits was \$ 242,474 and the bank balance was \$ 253,895. Of the bank balance, \$ 100,000 was covered by federal depository insurance and \$ 153,895 was uninsured. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the FDIC

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.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 5 – Deposits and Investments (continued)

Investments

As of December 31, 2007, the Township had the following investments:

	Weighted Average Maturities Years	Fair Value
STAR Ohio	N/A	\$131,641

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy 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 need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township has no investment policy that would further limit its investment choices.

The Township places not limit on the amount that may be invested in any one issuer.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2005, were levied after October 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. 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.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 6 – Property Taxes (Continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

	Collection Year
Property valuation consisted of :	2007
Real Property	\$44,926,360
Public Utility Property	2,174,080
Tangible Personal Property	764,292
Total Valuation	<u>\$47,864,732</u>
Tax rate per \$1,000 of assessed valuation	4.43

Note 7 – Defined Benefit Pension Plan

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, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Ohio Revised Code provides statutory authority for member and employer contributions. The contribution rates for law enforcement and safety forces are different. The Township has no employees in this category.

The Township's contribution rate for 2007 was 13.85 percent. For the period July 1 to June 30, a portion of the Township's contribution equal to 5% of covered payroll was allocated to fund the post employment health care plan; for the period July 1 to December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2007, 2006, and 2005 were \$11,509, \$11,949, and \$12,310 respectively. 100 percent has been contributed for 2007, 2006, and 2005.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 8 - Postemployment Benefits

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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care costs were assumed to increase between .50 and 5.00 percent annually for the next eight 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 374,979. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. Actual employer contributions for which were used to fund postemployment benefits for the years ended December 31, 2007, 2006, and 2005 were \$7,555 \$5,841, and \$5,278 respectively. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 9 – Interfund Transfers

During 2007 the following transfers were made:

Transfers from the General Fund to:	
Equipment Reserve Fund	\$20,000
Other Governmental Funds	<u>14,000</u>
Total Transfers from the General Fund	\$34,000

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – 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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 in 2006, or \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2007

Note 10 – Risk Management (Continued)

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, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	(13,357,837)	(12,120,661)
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$7,520. 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.

<u>Contributions to OTARMA</u>	
2005	\$9,315
2006	\$9,515
2007	\$7,999

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

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Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

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

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities decreased \$60,632, or 16.53 percent, a significant change from the prior year. The fund most affected by the decrease in cash and cash equivalents was the General Fund, which realized a large expenditure for the Gore Orphanage Road slip reconstruction project.

The Township's general receipts are primarily property taxes. These receipts represent 69.38 percent of the total cash received for governmental activities during the year. Property tax receipts for 2006 increased approximately 4.7 percent over 2005. The property taxes include general property tax, tangible personal property tax, and manufactured home tax. Total receipts for 2006 increased approximately 65.11 percent over 2005. This substantial increase is due to the \$330,731 received from the Ohio Public Works Commission for the Gore Orphanage Road slip reconstruction project. If receipts from 2006 to 2005 are compared without using any OPWC revenue funds, there was a mere 1.21 percent decrease.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the Township as a Whole

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

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

In the statement of net assets and the statement of activities, we present the governmental activities of the township. All of the Township's basic services are reported here, including streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

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

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

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has one Fiduciary Fund for collecting a state commercial building fee, which had a zero balance at December 31, 2006.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006.

(Table 1)
Net Asset

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	306,077	366,709
Total Assets	306,077	366,709
Net Assets		
Restricted for:		
Capital Projects	26,677	40,000
Other Purposes	116,773	109,971
Unrestricted	162,627	216,738
Total Net Assets	306,077	366,709

As mentioned previously, net assets of the Township activities decreased \$60,632 or 16.53% during 2006. The primary reasons contributing to the decreases in cash balances are as follows:

- One major road project was nearly completed in 2006, the Gore Orphanage Hill slip reconstruction. The total General Fund expenditures for this project as of December 31, 2006 was \$116,204. Funds paid by OPWC on behalf of the Township for this project were \$330,731.
- In 2006, the Township purchased a new 2007 Ford F350 pickup truck with funds from the Equipment Reserve Fund. This Fund was created as a means for the Township to save over a period of years for large equipment purchases.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Table 2 reflects the changes in net assets in 2006 compared to 2005 on a cash basis.

(Table 2)
Change in Net Assets

	Governmental Activities 2006	Governmental Activities 2005
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$18,642	\$17,063
Operating Grants and Contributions	86,242	84,323
Capital Grants and Contributions	330,731	
Total Program Receipts	<u>435,615</u>	<u>101,386</u>
General Receipts:		
Property and Other Local Taxes	269,055	256,973
Grants and Entitlements Not Restricted To Specific Programs	105,815	125,643
Earnings on Investments	10,858	14,466
Miscellaneous	2,085	244
Total General Receipts	<u>387,813</u>	<u>397,326</u>
Total Receipts	<u>823,428</u>	<u>498,712</u>
Disbursements:		
General Government	\$154,550	221,734
Public Safety	43,472	42,794
Public Works	302,530	403,134
Health	11,659	9,818
Conservation-Recreation	3,711	3,763
Other	1,869	3,652
Capital Outlay	366,269	46,136
Total Disbursements	<u>884,060</u>	<u>731,031</u>
Increase (Decrease) in Net Assets	(60,632)	(232,319)
Net Assets, January 1	<u>366,709</u>	<u>599,028</u>
Net Assets, December 31	<u>\$306,077</u>	<u>\$366,709</u>

Program receipts represent 52.9 percent of total receipts which is primarily comprised of the \$330,731 received from OPWC. Other program receipts consist of restricted intergovernmental receipts such as motor vehicle license and gas tax money, as well as building permits and inspection fees.

General receipts represent 47.1 percent of the Township's total receipts of governmental activities, and of this amount, 69.38 percent are local taxes. State grants and entitlements make up 27.29 percent of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Brownhelm Township
Lorain County
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Unaudited

Disbursements for general government represent the overhead costs of running the township and the support services provided for the other township activities. These include the costs of the Board of Trustees, and the Fiscal Officer, as well as internal services such as payroll and purchasing.

Governmental Activities

If you look at the Statement of Activities on page 36, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for Capital Outlay and Public Works which account for 41.43 and 34.22 percent of all governmental disbursements, respectively. General Government also represents a significant cost, about 17.48 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

(Table 3)

Governmental Activities

	Total Cost Of Services 2006	Net Cost of Services 2006	Total Cost Of Services 2005	Net Cost of Services 2005
General Government	\$154,550	(\$143,633)	\$221,734	(\$208,346)
Public Safety	43,472	(43,472)	42,794	(42,794)
Public Works	302,530	(216,288)	403,134	(318,811)
Health	11,659	(3,934)	9,818	(6,143)
Conservation-Recreation	3,711	(3,711)	3,763	(3,763)
Other	1,869	(1,869)	3,652	(3,652)
Capital Outlay	366,269	(35,538)	46,136	(46,136)
Total Expenses	\$884,060	(\$448,445)	\$731,031	(\$629,645)

General Fund Budgeting Highlights

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

The Township did not amend the original General Fund Budget during 2006. The difference between budgeted receipts and actual receipts was not significant.

Capital Assets and Debt Administration

Capital Assets

The Township does not currently keep track of its capital assets and infrastructure.

Brownhelm Township
Lorain County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Debt

At December 31, 2006, the Township had no outstanding debt.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Marsha Funk, Fiscal Officer, Brownhelm Township, 1940 North Ridge Road, Vermilion, OH 44089.

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

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

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$306,077
<i>Total Assets</i>	<u><u>\$306,077</u></u>
Net Assets	
Restricted for:	
Capital Projects	\$26,677
Other Purposes	116,773
Unrestricted	162,627
<i>Total Net Assets</i>	<u><u>\$306,077</u></u>

See accompanying notes to the basic financial statements

BROWNHELM TOWNSHIP
LORAIN COUNTY
Statement of Activities - Cash Basis
For the Year Ended December 31, 2006

	Program Cash Receipts			Net (Disbursements)	
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Receipts and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
General Government	\$154,550	\$10,917	\$0	(\$143,633)	
Public Safety	43,472	0	0	(43,472)	
Public Works	302,530	0	86,242	(216,288)	
Health	11,659	7,725	0	(3,934)	
Conservation-Recreation	3,711	0	0	(3,711)	
Other	1,869	0	0	(1,869)	
Capital Outlay	366,269	0	330,731	(35,538)	
<i>Total Governmental Activities</i>	884,060	18,642	86,242	330,731	(448,445)
General Receipts					
Property Taxes				\$269,055	
Grants and Entitlements not Restricted to Specific Programs				105,815	
Earnings on Investments				10,858	
Miscellaneous				2,085	
<i>Total General Receipts</i>				387,813	
Change in Net Assets				(60,632)	
<i>Net Assets Beginning of Year</i>				366,709	
<i>Net Assets End of Year</i>				\$306,077	

See accompanying notes to the basic financial statements

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

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

	GENERAL	ROAD AND BRIDGE	PUBLIC WORKS PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets					
Equity in Pooled Cash and Cash Equivalents	\$162,627	\$66,398	\$0	\$77,052	\$306,077
<i>Total Assets</i>	<u>162,627</u>	<u>66,398</u>	<u>0</u>	<u>77,052</u>	<u>306,077</u>
Fund Balances					
Reserved:					
Reserved for Encumbrances	41,297	2,718	23,934		67,949
Unreserved:					
Undesignated (Deficit), Reported in:					
General Fund	121,330	0	0		121,330
Special Revenue Funds	0	63,680	0	50,375	114,055
Capital Projects Funds	0	0	(23,934)	26,677	2,743
<i>Total Fund Balances</i>	<u>\$162,627</u>	<u>\$66,398</u>	<u>\$0</u>	<u>\$77,052</u>	<u>306,077</u>

See accompanying notes to the basic financial statements

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

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

	GENERAL	ROAD AND BRIDGE	PUBLIC WORKS PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL
Receipts					
Property and Other Local Taxes	\$194,100	\$74,955	\$0	\$0	\$269,055
Licenses, Permits and Fees	10,916	0	0	4,675	15,591
Intergovernmental	85,750	9,466	330,731	96,841	522,788
Earnings on Investments	10,825	0	0	33	10,858
Miscellaneous	1,870	0	0	3,264	5,134
Total Receipts	303,461	84,421	330,731	104,813	823,426
Disbursements					
Current:					
General Government	154,550	0	0	0	154,550
Public Safety	43,472	0	0	0	43,472
Public Works	122,054	83,035	0	97,440	302,529
Health	5,627	0	0	6,032	11,659
Conservation-Recreation	0	0	0	3,711	3,711
Other	1,869	0	0	0	1,869
Capital Outlay	0	0	330,731	35,537	366,268
Total Disbursements	327,572	83,035	330,731	142,720	884,058
Excess of Receipts Over (Under) Disbursements	(24,111)	1,386	0	(37,907)	(60,632)
Other Financing Sources (Uses)					
Transfers In	0	0	0	30,000	30,000
Transfers Out	(30,000)	0	0	0	(30,000)
Total Other Financing Sources (Uses)	(30,000)	0	0	30,000	0
Net Change in Fund Balances	(54,111)	1,386	0	(7,907)	(60,632)
Fund Balances Beginning of Year	216,738	65,012	0	84,959	366,709
Fund Balances End of Year	\$162,627	\$66,398	\$0	\$77,052	\$306,077

See accompanying notes to the basic financial statements

**BROWHELM TOWNSHIP
LORAIN 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			(Optional) Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$191,379	\$191,379	\$194,100	\$2,721
Licenses, Permits and Fees	13,600	13,600	10,916	(2,684)
Intergovernmental	81,440	81,440	85,750	4,310
Earnings on Investments	9,600	9,600	10,825	1,225
Miscellaneous	0	0	1,870	1,870
<i>Total receipts</i>	<u>296,019</u>	<u>296,019</u>	<u>303,461</u>	<u>7,442</u>
Disbursements				
Current:				
General Government	182,054	182,054	157,140	24,914
Public Safety	46,696	46,696	43,472	3,224
Public Works	214,480	214,480	160,761	53,719
Health	5,627	5,627	5,627	0
Other	4,100	4,100	1,869	2,231
<i>Total Disbursements</i>	<u>452,957</u>	<u>452,957</u>	<u>368,869</u>	<u>84,088</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(156,938)</u>	<u>(156,938)</u>	<u>(65,408)</u>	<u>91,530</u>
Other Financing Sources (Uses)				
Transfers Out	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(30,000)</u>	<u>(30,000)</u>	<u>(30,000)</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	<u>(186,938)</u>	<u>(186,938)</u>	<u>(95,408)</u>	<u>91,530</u>
<i>Fund Balance Beginning of Year</i>	<u>205,788</u>	<u>205,788</u>	<u>205,788</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>10,950</u>	<u>10,950</u>	<u>10,950</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$29,800</u>	<u>\$29,800</u>	<u>\$121,330</u>	<u>\$91,530</u>

See accompanying notes to the basic financial statements

**BROWNHELM TOWNSHIP
LORAIN COUNTY**

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

	Budgeted Amounts		Actual	(Optional) Variance with Final Budget Positive (Negative)
	Original	Final		Actual
Receipts				
Property and Other Local Taxes	\$74,514	\$74,514	\$74,955	\$441
Intergovernmental	9,576	9,576	9,466	(110)
<i>Total receipts</i>	84,090	84,090	84,421	331
Disbursements				
Current:				
Public Works	125,116	125,116	85,753	39,363
<i>Total Disbursements</i>	125,116	125,116	85,753	39,363
<i>Net Change in Fund Balance</i>	(41,026)	(41,026)	(1,332)	(39,032)
<i>Fund Balance Beginning of Year</i>	65,012	65,012	65,012	+
Prior Year Encumbrances Appropriated	0	0	0	0
<i>Fund Balance End of Year</i>	\$23,986	\$23,986	\$63,680	\$39,694

See accompanying notes to the basic financial statements

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 1 – Reporting Entity

Brownhelm Township, Lorain 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 Township consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance. The Township contracts with the City of Vermilion, Florence Township, and the Township of South Amherst for fire protection. Police protection is provided by the Lorain County Sheriff.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool. 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' deductible. The Township filed no claims with OTARMA in 2006. This organization is discussed in note 10.

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 and the fund financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the 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.

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 nonexchange transactions.

The statement of net assets presents the cash balance of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 2 – Summary of Significant Accounting Policies (continued)

program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

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

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 divided into two categories, governmental and fiduciary.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Road & Bridge Fund, and the Public Works Commission 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. The Road & Bridge Fund receives revenues from the Lorain County Property tax. This fund is used for purposes relating to roads and bridges. The Public Works Commission Fund is used to account for all funds paid by OPWC on behalf of the Township for approved road and infrastructure projects.

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

Fiduciary Funds

Fiduciary funds include pension trust funds, investment trust funds, private purpose trust funds, and agency funds. The Township only utilizes an agency fund. This fund is used to collect and remit a three percent assessment of permit fees to the Board of Building Standards. This fund has a zero balance at year end.

C. Basis of Accounting

The Township's financial statements are prepared using the 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. Any such modifications made by the Township are described in the appropriate section in this note.

Note 2 – Summary of Significant Accounting Policies (continued)

C. Basis of Accounting (continued)

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

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations 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 ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During 2006, the Township invested in nonnegotiable certificates of deposit and 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 at the end of any specific day.

Note 2 – Summary of Significant Accounting Policies (continued)

F. Restricted Assets

Cash, cash equivalents and investments 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 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 7 and 8, 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 the purchase of major equipment, i.e. heavy trucks, pickup trucks, backhoes, graders, etc. Currently there is \$26,677 available in the equipment reserve fund.

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.

M. Interfund Transactions

Transfers between governmental activities are eliminated on the government-wide financial statements.

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. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3– Accountability and Compliance

A. Accountability

There were no deficit fund balances.

B. Compliance

There were no compliance violations identified.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund and Road & Bridge Fund, is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference(s) between the budgetary basis and the cash basis is (are) outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) (and outstanding year end advances are treated as an other financing source or use (budgetary basis) rather than as an interfund receivable or payable (cash basis)). The encumbrances outstanding at year end (budgetary basis) amounted to \$41,297 for the General Fund, and \$2,718 for the Road & Bridge Fund.

Note 5 – Deposits and Investments

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

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

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

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

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

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

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

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

At year end, the Township had no un-deposited cash on hand.

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, the carrying amount of the Township's deposits was \$ 180,900 and the bank balance was 188,173. Of the bank balance, \$ 100,000 was covered by federal depository insurance and \$ 88,173 was uninsured. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the Township to a successful claim by the FDIC

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.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 5 – Deposits and Investments (continued)

Investments

As of December 31, 2007, the Township had the following investments:

	Weighted Average Maturities Years	Fair Value
STAR Ohio	N/A	\$125,177

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualifying trustee.

Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy 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 need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

STAROhio carries a rating of AAAM by Standard & Poor's. Ohio Law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The Township has no investment policy that would further limit its investment choices.

The Township places not limit on the amount that may be invested in any one issuer.

Note 6 – Property Taxes

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

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 6 – Property Taxes (Continued)

The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

	Collection Year
Property valuation consisted of :	2006
Real Property	\$38,604,390
Public Utility Property	2,192,590
Tangible Personal Property	1,005,172
Total Valuation	<u>\$41,802,152</u>
Tax rate per \$1,000 of assessed valuation	4.43

Note 7 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions. The Township's required contributions have been paid for 2006. The contribution rates for law enforcement and safety forces are different. The Township has no employees in this category.

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 \$11,949, \$12,310 and \$12,602 respectively; 100 percent has been contributed for 2006, 2005, and 2004.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 8 - Postemployment Benefits

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 qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.7 percent of covered payroll (16.93 percent for public safety and law enforcement); 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the individual entry age actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care 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 \$5,841. 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. To improve the solvency of the Health Care Fund, OPERS created a separate investment pool for health care assets. Member and employer contribution rates increased as of January 1, 2006, and January 1, 2007, which will allow additional funds to be allocated to the health care plan.

Note 9 – Interfund Transfers

During 2006 the following transfers were made:

Transfers from the General Fund to:	
Other Governmental Funds	\$30,000

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10 – 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. 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 PEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. 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 in 2006, 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.

Brownhelm Township
Lorain County
Notes to the Financial Statements
For the Year Ended December 31, 2006

Note 10 – Risk Management (continued)

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:

	<u>2006</u>
Assets	\$42,042,275
Liabilities	<u>(12,120,661)</u>
Net Assets	<u>\$29,921,614</u>

At December 31, 2006, liabilities above include approximately \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2006, 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 \$9,000. 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.

<u>Contributions to OTARMA</u>	
2005	\$9,315
2006	\$9,515

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they provide 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.

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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*

Brownhelm Township
Lorain County
1940 North Ridge Road
Vermilion, Ohio 44089

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brownhelm Township, Lorain County, (the Township) as of and for the years ended December 31, 2007 and December 31, 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 29, 2008. 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 because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audits 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 audits, 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.

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might

be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated July 29, 2008.

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 audits and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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

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

Mary Taylor, CPA
Auditor of State

July 29, 2008



Mary Taylor, CPA
Auditor of State

BROWNHELM TOWNSHIP

LORAIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 11, 2008**