



Mary Taylor, CPA
Auditor of State

**EAGLE TOWNSHIP
BROWN COUNTY**

TABLE OF CONTENTS

| TITLE | PAGE |
|---|-------------|
| Independent Accountants' Report..... | 1 |
| Management's Discussion and Analysis..... | 3 |
| Basic Financial Statements: | |
| 2006 Government-wide Financial Statements: | |
| Statement of Net Assets – Cash Basis as of December 31, 2006..... | 9 |
| Statement of Activities – Cash Basis for the Year Ended December 31, 2006 | 10 |
| 2006 Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2006..... | 11 |
| Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2006 | 12 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2006 | 13 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2006 | 14 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire District Fund For the Year Ended December 31, 2006 | 15 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Public Works Project Fund For the Year Ended December 31, 2006 | 16 |
| 2005 Government-wide Financial Statements: | |
| Statement of Net Assets – Cash Basis as of December 31, 2005..... | 17 |
| Statement of Activities – Cash Basis for the Year Ended December 31, 2005 | 18 |
| 2005 Fund Financial Statements: | |
| Statement of Cash Basis Assets and Fund Balances - Governmental Funds as of December 31, 2005..... | 19 |
| Statement of Cash Receipts, Disbursements, and Changes In Cash Basis Fund Balances – Governmental Funds For the Year Ended December 31, 2005 | 20 |

EAGLE TOWNSHIP
BROWN COUNTY

TABLE OF CONTENTS
(Continued)

| TITLE | PAGE |
|--|------|
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund For the Year Ended December 31, 2005 | 21 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Motor Vehicle License Tax Fund For the Year Ended December 31, 2005 | 22 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Gasoline Tax Fund For the Year Ended December 31, 2005 | 23 |
| Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire District Fund For the Year Ended December 31, 2005 | 24 |
| Notes to the Financial Statements | 25 |
| Independent Accountants’ Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> | 35 |
| Schedule of Findings..... | 37 |
| Schedule of Prior Audit Findings..... | 39 |



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Eagle Township
Brown County
10291 Malblanc Road
Winchester, Ohio 45697

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 Eagle Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing.

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

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

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

Mary Taylor, CPA
Auditor of State

July 9, 2007

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

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

Highlights

Key highlights for 2006 and 2005 are as follows:

In 2006, the Township's net assets decreased \$3,394 4.3% under 2005. Expenses and revenues increased due to an Ohio Public Works Commission (OPWC) road paving grant. In 2005, the Township's net assets decreased \$11,412 or 12.7% as compared to 2004 due to FEMA expenditures related to an ice storm.

The Township's general receipts are primarily property taxes. During 2006 and 2005 general receipts represented 35% and 52% respectively of the total cash received for governmental activities. Property tax receipts for 2005 changed very little compared to 2004 as property values showed only moderate increases. Property taxes for 2005 increased 14% as compared to 2004. This was due to an increase in tax monies received from the renewal of the fire district levy. The Township's program receipts are primarily excise gas tax and state and federal grants. Excise tax receipts related to fuel sales increased \$8,915 or 13% in 2005 over 2004, and increased \$8,968 or 11.6% in 2006 over 2005. An OPWC grant was received in 2006, as reflected by the large increase in capital grants and contributions program revenues for that year.

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

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

Reporting the Government as a Whole

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

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

Reporting the Government's Most Significant Funds

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

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

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

The Government as a Whole

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

(Table 1)
Net Assets

| | Governmental Activities | |
|---------------------------|-------------------------|----------|
| | 2006 | 2005 |
| Assets | | |
| Cash and Cash Equivalents | \$75,238 | \$78,632 |
| Total Assets | \$75,238 | \$78,632 |
| Net Assets | | |
| Restricted for: | | |
| Road Maintenance | 38,949 | 31,890 |
| Fire Protection | 4,436 | 8,877 |
| Zoning | 1,568 | 1,387 |
| Unrestricted | 30,285 | 36,478 |
| Total Net Assets | \$75,238 | \$78,632 |

As mentioned previously, net assets of governmental activities decreased \$3,394 or 4.3 percent during 2006. The primary reason contributing to the decreases in cash balances are an increase in General Fund general government expenditures

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

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

(Table 2)
Changes in Net Assets

| | Governmental Activities 2006 | Governmental Activities 2005 | Variance |
|--|------------------------------------|------------------------------------|------------------|
| Receipts: | | | |
| Program Receipts: | | | |
| Charges for Services and Sales | \$790 | \$195 | \$595 |
| Operating Grants and Contributions | 103,470 | 93,900 | 9,570 |
| Capital Grants and Contributions | 100,811 | 9,255 | 91,556 |
| Total Program Receipts | <u>205,071</u> | <u>103,350</u> | <u>101,721</u> |
| General Receipts: | | | |
| Property and Other Local Taxes | 80,583 | 78,372 | 2,211 |
| Grants and Entitlements Not Restricted to Specific Programs | 25,904 | 25,721 | 183 |
| Interest | 211 | 214 | (3) |
| Miscellaneous | 1,505 | 6,739 | (5,234) |
| Total General Receipts | <u>108,203</u> | <u>111,046</u> | <u>(2,843)</u> |
| Total Receipts | <u>313,274</u> | <u>214,396</u> | <u>98,878</u> |
| Disbursements: | | | |
| General Government | 49,965 | 48,356 | 1,609 |
| Public Safety | 59,066 | 46,125 | 12,941 |
| Public Works | 101,381 | 125,544 | (24,163) |
| Health | 5,445 | 5,783 | (338) |
| Capital Outlay | 100,811 | 0 | 100,811 |
| Total Disbursements | <u>316,668</u> | <u>225,808</u> | <u>90,860</u> |
| Increase (Decrease) in Net Assets | (3,394) | (11,412) | 8,018 |
| Beginning Net Assets | <u>78,632</u> | <u>90,044</u> | <u>(11,412)</u> |
| Ending Net Assets | <u>\$75,238</u> | <u>\$78,632</u> | <u>(\$3,394)</u> |

In 2006, Program receipts represent 65% of total receipts. In 2005, Program receipts represent 48% of total receipts. Program receipts are primarily comprised of restricted intergovernmental receipts such as motor vehicle license, gas tax money, and grant monies.

In 2006, General receipts represent 35% of the Township's total receipts, and of this amount, 74% are local taxes. State and federal grants and entitlements make up 24% of the Township's general receipts. Miscellaneous receipts which consists mainly of roadside cleanup reimbursement and cemetery lot sales make up the balance of the Township's general receipts (1%). In 2005, General receipts represent 52% of the Township's total receipts, and of this amount, 71% are local taxes. State and federal grants and entitlements make 23% of the Township's general receipts. Miscellaneous receipts which consists mainly of roadside cleanup reimbursement and cemetery lot sales make up the balance of the Township's general receipts (6%). Other receipts in 2006 and 2005 are very insignificant and somewhat unpredictable revenue sources.

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

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

Public Safety is the cost of fire protection; Health is the cost of cemetery maintenance; Public Works is the cost of lighting the streets and road maintenance; Capital Outlay in 2006 is for an OPWC paving project.

Governmental Activities

If you look at the Statement of Activities on page 10 and 18, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, which account for 16 and 21 percent of all governmental disbursements in 2006 and 2005, respectively. 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 | \$49,965 | (\$49,175) | \$48,356 | (\$48,161) |
| Public Safety | 59,066 | (53,495) | 46,125 | (41,042) |
| Public Works | 101,381 | (3,482) | 125,544 | (27,472) |
| Health | 5,445 | (5,445) | 5,783 | (5,783) |
| Capital Outlay | 100,811 | 0 | 0 | 0 |
| Total Expenses | \$316,668 | (\$111,597) | \$225,808 | (\$122,458) |

The dependence upon property tax receipts is apparent as about 25 and 35 percent of governmental activities are supported through these general receipts in 2006 and 2005, respectively.

The Government's Funds

In 2006, total governmental funds had receipts of \$313,274 and disbursements of \$316,668. In 2005, total governmental funds had receipts of \$214,396 and disbursements of \$225,808. The greatest change within governmental funds occurred within the Gas Tax Fund. The fund balance of the Gas Tax Fund increased \$17,558 (76%) in 2006 as a result of a transfer from the General Fund and decreased \$20,619 (47%) in 2005 due to an increase in road repair expenditures.

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

General Fund Budgeting Highlights

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

During 2006 and 2005, the Township amended its General Fund budget occasionally to reflect changing circumstances. General Fund receipts received in 2006 were \$1,022 greater than was budgeted and were \$4,668 greater in 2005.

In 2006, final disbursements were budgeted at \$76,939, while actual disbursements were \$57,342. The Township kept spending below budgeted amounts as demonstrated by the reported variances, however, receipts failed to keep pace with disbursements resulting in a fund balance decrease in 2006 of \$6,193. In 2005, final disbursements were budgeted at \$86,754, while actual disbursements were \$52,755 and receipts were greater than disbursements resulting in a fund balance increase of \$8,878.

Capital Assets and Debt Administration

Capital Assets

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

Debt

The Township has no debt.

Current Issues

The challenge for all Townships is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base.

Contacting the Government's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Donna Young, Fiscal Officer, Eagle Township, 10291 Malblanc Road, Winchester, Ohio, 45697.

Eagle Township, Brown County

Statement of Net Assets - Cash Basis

December 31, 2006

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$75,238</u> |
| <i>Total Assets</i> | <u><u>\$75,238</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Road Maintenance | 38,949 |
| Fire Protection | 4,436 |
| Zoning | 1,568 |
| Unrestricted | <u>30,285</u> |
| <i>Total Net Assets</i> | <u><u>\$75,238</u></u> |

See accompanying notes to the basic financial statements

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

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets | |
|---|-----------------------|--------------------------------------|--|---|----------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| General Government | \$49,965 | \$790 | \$0 | \$0 | (\$49,175) |
| Public Safety | 59,066 | 0 | 5,571 | 0 | (53,495) |
| Public Works | 101,381 | 0 | 97,899 | 0 | (3,482) |
| Health | 5,445 | 0 | 0 | 0 | (5,445) |
| Capital Outlay | 100,811 | 0 | 0 | 100,811 | 0 |
| Total | \$316,668 | \$790 | \$103,470 | \$100,811 | (111,597) |
| General Receipts | | | | | |
| Property Taxes | | | | | 80,583 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 25,904 |
| Earnings on Investments | | | | | 211 |
| Miscellaneous | | | | | 1,505 |
| <i>Total General Receipts</i> | | | | | 108,203 |
| Change in Net Assets | | | | | (3,394) |
| <i>Net Assets Beginning of Year</i> | | | | | 78,632 |
| <i>Net Assets End of Year</i> | | | | | \$75,238 |

See accompanying notes to the basic financial statements

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

| | General | Gasoline Tax | Fire District | Public Works Projects | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|----------------|--------------------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$30,285 | \$40,575 | \$4,436 | \$0 | (\$58) | \$75,238 |
| <i>Total Assets</i> | <u>\$30,285</u> | <u>\$40,575</u> | <u>\$4,436</u> | <u>\$0</u> | <u>(\$58)</u> | <u>\$75,238</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | 30,285 | 0 | 0 | 0 | 0 | 30,285 |
| Special Revenue Funds | 0 | 40,575 | 4,436 | 0 | (58) | 44,953 |
| <i>Total Fund Balances</i> | <u>\$30,285</u> | <u>\$40,575</u> | <u>\$4,436</u> | <u>\$0</u> | <u>(\$58)</u> | <u>\$75,238</u> |

See accompanying notes to the basic financial statements

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

| | General | Gasoline Tax | Fire District | Public Works Projects | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|-----------------|----------------|--------------------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$31,529 | \$0 | \$49,054 | \$0 | \$0 | \$80,583 |
| Licenses, Permits and Fees | 0 | 0 | 0 | 0 | 790 | 790 |
| Intergovernmental | 25,904 | 86,201 | 5,571 | 100,811 | 11,465 | 229,952 |
| Earnings on Investments | 211 | 160 | 0 | 0 | 73 | 444 |
| Miscellaneous | 1,005 | 500 | 0 | 0 | 0 | 1,505 |
| <i>Total Receipts</i> | <u>58,649</u> | <u>86,861</u> | <u>54,625</u> | <u>100,811</u> | <u>12,328</u> | <u>313,274</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 48,956 | 400 | 0 | 0 | 609 | 49,965 |
| Public Safety | 0 | 0 | 59,066 | 0 | 0 | 59,066 |
| Public Works | 2,941 | 76,403 | 0 | 0 | 22,037 | 101,381 |
| Health | 5,445 | 0 | 0 | 0 | 0 | 5,445 |
| Capital Outlay | 0 | 0 | 0 | 100,811 | 0 | 100,811 |
| <i>Total Disbursements</i> | <u>57,342</u> | <u>76,803</u> | <u>59,066</u> | <u>100,811</u> | <u>22,646</u> | <u>316,668</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>1,307</u> | <u>10,058</u> | <u>(4,441)</u> | <u>0</u> | <u>(10,318)</u> | <u>(3,394)</u> |
| Other Financing Sources (Uses) | | | | | | |
| Transfers In | | 7,500 | | | | 7,500 |
| Transfers Out | (7,500) | | | | | (7,500) |
| <i>Total Other Financing Sources (Uses)</i> | <u>(7,500)</u> | <u>7,500</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Net Change in Fund Balances</i> | <u>(6,193)</u> | <u>17,558</u> | <u>(4,441)</u> | <u>0</u> | <u>(10,318)</u> | <u>(3,394)</u> |
| <i>Fund Balances Beginning of Year</i> | <u>36,478</u> | <u>23,017</u> | <u>8,877</u> | <u>0</u> | <u>10,260</u> | <u>78,632</u> |
| <i>Fund Balances End of Year</i> | <u>\$30,285</u> | <u>\$40,575</u> | <u>\$4,436</u> | <u>\$0</u> | <u>(\$58)</u> | <u>\$75,238</u> |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|-----------------|-----------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$33,000 | \$33,000 | \$31,529 | (\$1,471) |
| Intergovernmental | 23,862 | 23,862 | 25,904 | 2,042 |
| Interest | 194 | 194 | 211 | 17 |
| Other | 926 | 926 | 1,005 | 79 |
| <i>Total Receipts</i> | <u>57,982</u> | <u>57,982</u> | <u>58,649</u> | <u>667</u> |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 65,687 | 65,687 | 48,956 | 16,731 |
| Public Works | 3,946 | 3,946 | 2,941 | 1,005 |
| Health | 7,306 | 7,306 | 5,445 | 1,861 |
| <i>Total Disbursements</i> | <u>76,939</u> | <u>76,939</u> | <u>57,342</u> | <u>19,597</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(18,957)</u> | <u>(18,957)</u> | <u>1,307</u> | <u>20,264</u> |
| Other Financing Sources | | | | |
| Transfers Out | (17,521) | (17,521) | (7,500) | 10,021 |
| <i>Total Other Financing Sources</i> | <u>(17,521)</u> | <u>(17,521)</u> | <u>(7,500)</u> | <u>10,021</u> |
| <i>Net Change in Fund Balance</i> | <u>(36,478)</u> | <u>(36,478)</u> | <u>(6,193)</u> | <u>30,285</u> |
| <i>Fund Balance Beginning of Year</i> | <u>36,478</u> | <u>36,478</u> | <u>36,478</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$0</u> | <u>\$0</u> | <u>\$30,285</u> | <u>\$30,285</u> |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$59,505 | \$59,505 | \$86,201 | \$26,696 |
| Earnings on Investments | \$111 | 111 | 160 | 49 |
| Miscellaneous | \$602 | 602 | 500 | (102) |
| <i>Total Receipts</i> | 60,218 | 60,218 | 86,861 | 26,643 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 452 | 452 | 400 | 52 |
| Public Works | 86,333 | 86,333 | 76,403 | 9,930 |
| <i>Total Disbursements</i> | 86,785 | 86,785 | 76,803 | 9,982 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (26,567) | (26,567) | 10,058 | 36,625 |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 5,177 | 5,177 | 7,500 | 2,323 |
| <i>Total Other Financing Sources (Uses)</i> | 5,177 | 5,177 | 7,500 | 2,323 |
| <i>Net Change in Fund Balance</i> | (21,390) | (21,390) | 17,558 | 38,948 |
| <i>Fund Balance Beginning of Year</i> | 34,203 | 34,203 | 23,017 | (11,186) |
| <i>Fund Balance End of Year</i> | \$12,813 | \$12,813 | \$40,575 | \$27,762 |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|-------------------|-------------------|-----------------------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$0 | \$0 | \$49,054 | \$49,054 |
| Intergovernmental | \$51,200 | 51,200 | 5,571 | (45,629) |
| <i>Total Receipts</i> | <u>51,200</u> | <u>51,200</u> | <u>54,625</u> | <u>3,425</u> |
| Disbursements | | | | |
| Current: | | | | |
| Public Safety | 60,077 | 60,077 | 59,066 | 1,011 |
| <i>Total Disbursements</i> | <u>60,077</u> | <u>60,077</u> | <u>59,066</u> | <u>1,011</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>(8,877)</u> | <u>(8,877)</u> | <u>(4,441)</u> | <u>4,436</u> |
| <i>Net Change in Fund Balance</i> | (8,877) | (8,877) | (4,441) | 4,436 |
| <i>Fund Balance Beginning of Year</i> | <u>8,877</u> | <u>8,877</u> | <u>8,877</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u><u>\$0</u></u> | <u><u>\$0</u></u> | <u><u>\$4,436</u></u> | <u><u>\$4,436</u></u> |

See accompanying notes to the basic financial statements

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

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|--|-------------------------|------------------|----------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Receipts | | | | |
| Intergovernmental | - | 100,262 | 100,811 | 549 |
| <i>Total Receipts</i> | <u>0</u> | <u>100,262</u> | <u>100,811</u> | <u>549</u> |
| Disbursements | | | | |
| Capital Outlay | <u>0</u> | <u>0</u> | <u>100,811</u> | <u>(100,811)</u> |
| <i>Total Disbursements</i> | <u>0</u> | <u>0</u> | <u>100,811</u> | <u>(100,811)</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>0</u> | <u>100,262</u> | <u>0</u> | <u>(100,262)</u> |
| <i>Net Change in Fund Balance</i> | 0 | 100,262 | 0 | (100,262) |
| <i>Fund Balance Beginning of Year</i> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| <i>Fund Balance End of Year</i> | <u>\$0</u> | <u>\$100,262</u> | <u>\$0</u> | <u>(\$100,262)</u> |

See accompanying notes to the basic financial statements

Eagle Township, Brown County

Statement of Net Assets - Cash Basis

December 31, 2005

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Equity in Pooled Cash and Cash Equivalents | <u>\$78,632</u> |
| <i>Total Assets</i> | <u><u>\$78,632</u></u> |
| | |
| Net Assets | |
| Restricted for: | |
| Road Maintenance | 31,890 |
| Fire Protection | 8,877 |
| Zoning | 1,387 |
| Unrestricted | <u>36,478</u> |
| <i>Total Net Assets</i> | <u><u>\$78,632</u></u> |

See accompanying notes to the basic financial statements

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

| | Program Cash Receipts | | | Net (Disbursements) Receipts and Changes in Net Assets | |
|---|-----------------------|--------------------------------------|--|---|----------------------------|
| | Cash Disbursements | Charges for Services and Sales | Operating Grants, Contributions and Interest | Capital Grants, and Contributions | Governmental Activities |
| Governmental Activities | | | | | |
| General Government | \$48,356 | \$195 | \$0 | \$0 | (\$48,161) |
| Public Safety | 46,125 | 0 | 5,083 | 0 | (41,042) |
| Public Works | 125,544 | 0 | 88,817 | 9,255 | (27,472) |
| Health | 5,783 | 0 | 0 | 0 | (5,783) |
| Total | <u>\$225,808</u> | <u>\$195</u> | <u>\$93,900</u> | <u>\$9,255</u> | <u>(122,458)</u> |
| General Receipts | | | | | |
| Property Taxes | | | | | 78,372 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 25,721 |
| Earnings on Investments | | | | | 214 |
| Miscellaneous | | | | | 6,739 |
| <i>Total General Receipts</i> | | | | | 111,046 |
| Change in Net Assets | | | | | (11,412) |
| <i>Net Assets Beginning of Year</i> | | | | | 90,044 |
| <i>Net Assets End of Year</i> | | | | | <u>\$78,632</u> |

See accompanying notes to the basic financial statements

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

| | General | Motor Vehicle License Tax | Gasoline Tax | Fire District | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|------------------------------|-----------------|----------------|--------------------------------|--------------------------------|
| Assets | | | | | | |
| Equity in Pooled Cash and Cash Equivalents | \$36,478 | \$8,873 | \$23,017 | \$8,877 | \$1,387 | \$78,632 |
| <i>Total Assets</i> | <u>\$36,478</u> | <u>\$8,873</u> | <u>\$23,017</u> | <u>\$8,877</u> | <u>\$1,387</u> | <u>\$78,632</u> |
| Fund Balances | | | | | | |
| Unreserved: | | | | | | |
| Undesignated, Reported in: | | | | | | |
| General Fund | 36,478 | 0 | 0 | 0 | 0 | 36,478 |
| Special Revenue Funds | 0 | 8,873 | 23,017 | 8,877 | 1,387 | 42,154 |
| <i>Total Fund Balances</i> | <u>\$36,478</u> | <u>\$8,873</u> | <u>\$23,017</u> | <u>\$8,877</u> | <u>\$1,387</u> | <u>\$78,632</u> |

See accompanying notes to the basic financial statements

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

| | General | Motor Vehicle License Tax | Gasoline Tax | Fire District | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|------------------------------|-----------------|----------------|--------------------------------|--------------------------------|
| Receipts | | | | | | |
| Property and Other Local Taxes | \$30,642 | \$0 | \$0 | \$47,730 | \$0 | \$78,372 |
| Licenses, Permits and Fees | 0 | 0 | 0 | 0 | 195 | 195 |
| Intergovernmental | 25,721 | 11,307 | 77,232 | 5,083 | 9,255 | 128,598 |
| Earnings on Investments | 214 | 70 | 208 | 0 | 0 | 492 |
| Miscellaneous | 5,056 | 0 | 1,683 | 0 | 0 | 6,739 |
| <i>Total Receipts</i> | <u>61,633</u> | <u>11,377</u> | <u>79,123</u> | <u>52,813</u> | <u>9,450</u> | <u>214,396</u> |
| Disbursements | | | | | | |
| Current: | | | | | | |
| General Government | 46,127 | 0 | 0 | 0 | 2,229 | 48,356 |
| Public Safety | 0 | 0 | 0 | 46,125 | 0 | 46,125 |
| Public Works | 845 | 15,702 | 99,742 | 0 | 9,255 | 125,544 |
| Health | 5,783 | 0 | 0 | 0 | 0 | 5,783 |
| <i>Total Disbursements</i> | <u>52,755</u> | <u>15,702</u> | <u>99,742</u> | <u>46,125</u> | <u>11,484</u> | <u>225,808</u> |
| <i>Excess of Receipts Over (Under) Disbursements</i> | <u>8,878</u> | <u>(4,325)</u> | <u>(20,619)</u> | <u>6,688</u> | <u>(2,034)</u> | <u>(11,412)</u> |
| <i>Net Change in Fund Balances</i> | 8,878 | (4,325) | (20,619) | 6,688 | (2,034) | (11,412) |
| <i>Fund Balances Beginning of Year</i> | <u>27,600</u> | <u>13,198</u> | <u>43,636</u> | <u>2,189</u> | <u>3,421</u> | <u>90,044</u> |
| <i>Fund Balances End of Year</i> | <u>\$36,478</u> | <u>\$8,873</u> | <u>\$23,017</u> | <u>\$8,877</u> | <u>\$1,387</u> | <u>\$78,632</u> |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$33,000 | \$33,000 | \$30,642 | (\$2,358) |
| Intergovernmental | 21,706 | 21,706 | 25,721 | 4,015 |
| Interest | 181 | 181 | 214 | 33 |
| Other | 4,267 | 4,267 | 5,056 | 789 |
| <i>Total Receipts</i> | 59,154 | 59,154 | 61,633 | 2,479 |
| Disbursements | | | | |
| Current: | | | | |
| General Government | 75,854 | 75,854 | 46,127 | 29,727 |
| Public Works | 1,390 | 1,390 | 845 | 545 |
| Health | 9,510 | 9,510 | 5,783 | 3,727 |
| <i>Total Disbursements</i> | 86,754 | 86,754 | 52,755 | 33,999 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (27,600) | (27,600) | 8,878 | 36,478 |
| <i>Net Change in Fund Balance</i> | (27,600) | (27,600) | 8,878 | 36,478 |
| <i>Fund Balance Beginning of Year</i> | 27,600 | 27,600 | 27,600 | 0 |
| <i>Fund Balance End of Year</i> | \$0 | \$0 | \$36,478 | \$36,478 |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$12,413 | \$12,413 | \$11,307 | (\$1,106) |
| Earnings on Investments | \$77 | 77 | 70 | (7) |
| <i>Total Receipts</i> | 12,490 | 12,490 | 11,377 | (1,113) |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 25,688 | 16,433 | 15,702 | 731 |
| <i>Total Disbursements</i> | 25,688 | 16,433 | 15,702 | 731 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (13,198) | (3,943) | (4,325) | (382) |
| <i>Net Change in Fund Balance</i> | (13,198) | (3,943) | (4,325) | (382) |
| <i>Fund Balance Beginning of Year</i> | 13,198 | 13,198 | 13,198 | 0 |
| <i>Fund Balance End of Year</i> | \$0 | \$9,255 | \$8,873 | (\$382) |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Intergovernmental | \$58,566 | \$58,566 | \$77,232 | \$18,666 |
| Earnings on Investments | \$158 | 158 | 208 | 50 |
| Miscellaneous | \$1,276 | 1276 | 1683 | 407 |
| <i>Total Receipts</i> | 60,000 | 60,000 | 79,123 | 19,123 |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 103,636 | 103,636 | 99,742 | 3,894 |
| <i>Total Disbursements</i> | 103,636 | 103,636 | 99,742 | 3,894 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | (43,636) | (43,636) | (20,619) | 23,017 |
| <i>Net Change in Fund Balance</i> | (43,636) | (43,636) | (20,619) | 23,017 |
| <i>Fund Balance Beginning of Year</i> | 43,636 | 43,636 | 43,636 | 0 |
| <i>Fund Balance End of Year</i> | \$0 | \$0 | \$23,017 | \$23,017 |

See accompanying notes to the basic financial statements

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

| | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) |
|--|------------------|----------|----------|---|
| | Original | Final | | |
| Receipts | | | | |
| Property and Other Local Taxes | \$51,200 | \$51,200 | \$47,730 | (\$3,470) |
| Intergovernmental | \$0 | - | 5,083 | 5,083 |
| <i>Total Receipts</i> | 51,200 | 51,200 | 52,813 | 1,613 |
| Disbursements | | | | |
| Current: | | | | |
| Public Works | 51,200 | 51,200 | 46,125 | 5,075 |
| <i>Total Disbursements</i> | 51,200 | 51,200 | 46,125 | 5,075 |
| <i>Excess of Receipts Over (Under) Disbursements</i> | 0 | 0 | 6,688 | 6,688 |
| <i>Net Change in Fund Balance</i> | 0 | 0 | 6,688 | 6,688 |
| <i>Fund Balance Beginning of Year</i> | 2,189 | 2,189 | 2,189 | 0 |
| <i>Fund Balance End of Year</i> | \$2,189 | \$2,189 | \$8,877 | \$6,688 |

See accompanying notes to the basic financial statements

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

Note 1 – Reporting Entity

The Eagle Township, Brown County, Ohio (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

A. Primary Government

The primary government consists of all funds and departments that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, cemetery maintenance and fire protection. The Township contracts with the Village of Sardinia and the Winchester Community Fire District to provide fire protection.

Note 2 – Summary of Significant Accounting Policies

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

A. Basis of Presentation

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are all classified as governmental.

Governmental Funds

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

General Fund – The General Fund is the general operating fund. It is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

Motor Vehicle License Tax (2005 only) – This fund receives license tax money to pay for constructing, maintaining and repairing Township roads.

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

Public Works Project (2006 Only) – This fund received a grant from Ohio Public Works Commission for the purpose of paving Katterman Road within the Township.

C. Basis of Accounting

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

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

D. Budgetary Process

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

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.

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

Note 2 – Summary of Significant Accounting Policies (continued)

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

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

E. Cash and Investments

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

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 and 2005 was \$211 and \$214 respectively.

F. Capital Assets

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

G. Employer Contributions to Cost-Sharing Pension Plans

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

I. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The Township’s policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available. Restricted net assets represent \$44,953 of a total fund balance of \$75,238 in 2006 and \$42,154 of a total fund balance of \$78,632 in 2005.

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

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

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

Note 4 – Compliance

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Public Works Project fund had appropriations posted to the system in 2006 for OPWC money, however, there was no evidence of formal approval. Expenditures exceeded appropriations in the following funds:

| Year | Fund | Appropriations | Expenditures | Variance |
|------|----------------------|----------------|--------------|--------------|
| 2006 | Public Works Project | - | \$ 100,811 | (\$ 100,811) |

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

- Posted FEMA revenue and expenditures to the General Fund rather than accounting for it in a separate fund, as required by Auditor of State Bulletin 96-012.
- Motor vehicle license and gas tax monthly distributions were transposed between funds which resulted in the Motor Vehicle License Fund having a negative fund balance of (\$1,626) at December 31, 2006.
- General and Fire Fund personal property tax were transposed during 2006 with a difference in the amount of \$1,418.
- The local portion of Ohio Public Works Commission payments were recorded twice as revenues and expenditures, which resulted revenues and expenditure being overstated by \$27,451.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The Township should periodically review financial records to help assure all receipts are correctly classified and have been recorded in the correct fund.

Note 5 – Budgetary Basis of Accounting

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

Note 6 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in

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

Note 6 – Deposits and Investments (continued)

commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

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

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end 2006, \$8,703 of the Township's bank balance of \$108,703 was exposed to custodial credit risk, and at fiscal year end 2005, none of the Township's bank balance of \$83,549 was exposed to custodial credit risk.

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

Note 6 – Deposits and Investments (continued)

These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

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

Note 7 – Property Taxes

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

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

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

The full tax rate for all Township operations for the year ended December 31, 2006 and 2005, was \$4.40 respectively per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 and 2005 property tax receipts were based are as follows:

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

Note 7 – Property Taxes (continued)

| Real Property | <u>2005</u> | <u>2006</u> |
|-------------------------------|---------------------|---------------------|
| Residential | \$10,860,410 | \$12,870,230 |
| Agriculture | 4,697,670 | 5,647,590 |
| Commercial/Industrial/Mineral | 972,750 | 1,199,140 |
| Public Utility Property | | |
| Personal | 1,811,340 | 1,734,590 |
| Tangible Personal Property | 1,126,631 | 973,190 |
| Total Assessed Value | <u>\$19,468,801</u> | <u>\$22,424,740</u> |

Note 8 – Risk Management

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. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 township.

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

Financial Position

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

| <u>Casualty Coverage</u> | <u>2005</u> | <u>2004</u> |
|--------------------------|---------------------|---------------------|
| Assets | \$30,485,638 | \$28,132,620 |
| Liabilities | <u>(12,344,576)</u> | <u>(11,086,379)</u> |
| Retained earnings | <u>\$18,141,062</u> | <u>\$17,046,241</u> |

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

Note 8 – Risk Management (continued)

| <u>Property Coverage</u> | <u>2005</u> | <u>2004</u> |
|--------------------------|--------------------|--------------------|
| Assets | \$9,177,796 | \$7,588,343 |
| Liabilities | <u>(1,406,031)</u> | <u>(543,176)</u> |
| Retained earnings | <u>\$7,771,765</u> | <u>\$7,045,167</u> |

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, 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 \$2,825 for 2006 and \$2,814 for 2005.

Note 9 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

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

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

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

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$3,361, \$2,829 and \$2,763 respectively. The full amount has been contributed for 2006, 2005, and 2004.

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

Note 10 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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

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

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

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

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

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.

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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

Eagle Township
Brown County
10291 Malblanc Road
Winchester, Ohio 45697

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 Eagle Township, Brown County, Ohio (the Township), as of and for the year ended December 31, 2006 and 2005, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency

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

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

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

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

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated July 9, 2007.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2006-001 and 2006-002.

We also noted certain matters that we reported to the Township's management in a separate letter dated July 9, 2007.

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



Mary Taylor, CPA
Auditor of State

July 9, 2007

**EAGLE TOWNSHIP
BROWN COUNTY**

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

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

FINDING NUMBER 2006-001

Material Noncompliance / Material Weakness

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

- FEMA revenue and expenditures were posted to the General Fund rather than accounting for it in a separate fund, as required by Auditor of State Bulletin 96-012.
- Motor vehicle license and gas tax monthly distributions were transposed between funds which resulted in the Motor Vehicle License Fund having a negative fund balance of (\$1,626) at December 31, 2006.
- General and Fire Fund personal property tax were transposed during 2006 with a difference in the amount of \$1,418.
- The local portion of Ohio Public Works Commission payments were recorded twice as revenues and expenditures, which resulted in revenues and expenditure being overstated by \$27,451.

The Township has made the necessary adjustments to increase/decrease fund balances to properly reflect these amounts in the funds. The Township should periodically review financial records to help assure all receipts are correctly classified and have been recorded in the correct fund.

FINDING NUMBER 2006-002

Material Noncompliance / Significant Deficiency

Ohio Revised Code, § 5705.41(B), prohibits a subdivision from making an expenditure unless it has been properly appropriated. The Public Works Project Fund appropriations were posted to the system in 2006 for OPWC money; however, there was no evidence of formal approval of the appropriations. Expenditures exceeded appropriations in the following fund:

| Year | Fund | Appropriations | Expenditures | Variance |
|-------------|----------------------|-----------------------|---------------------|-----------------|
| 2006 | Public Works Project | - | \$ 100,811 | (\$ 100,811) |

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

Officials' Response:

We did not receive a response from Officials to the findings reported above.

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EAGLE TOWNSHIP
BROWN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006 AND 2005

| Finding Number | Finding Summary | Fully Corrected? | Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i> |
|----------------|--|------------------|--|
| 2004-001 | Finding for recovery related to salaries | Yes | |



Mary Taylor, CPA
Auditor of State

EAGLE TOWNSHIP

BROWN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JULY 31, 2007**