



**Auditor of State
Betty Montgomery**

EAGLE TOWNSHIP
BROWN COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2002.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2001.....	4
Notes to the Financial Statements.....	5
Independent Accountants' Report on Compliance and on Internal Control Required by <i>Government Auditing Standards</i>	11
Schedule of Findings.....	13
Schedule of Prior Audit Findings.....	15

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**Auditor of State
Betty Montgomery**

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 Eagle Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Township as of December 31, 2002 and 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of management, the Board of Trustees and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 21, 2003

**EAGLE TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Local Taxes	\$25,965	\$31,091	\$57,056
Intergovernmental	30,555	67,699	98,254
Licenses, Permits, and Fees	26	1,225	1,251
Earnings on Investments	417	346	763
Other Revenue	14	460	474
	<u>56,977</u>	<u>100,821</u>	<u>157,798</u>
Total Cash Receipts			
	<u>56,977</u>	<u>100,821</u>	<u>157,798</u>
Cash Disbursements:			
Current:			
General Government	39,741	1,036	40,777
Public Safety		37,174	37,174
Public Works	743	62,744	63,487
Health	7,383		7,383
	<u>47,867</u>	<u>100,954</u>	<u>148,821</u>
Total Cash Disbursements			
	<u>47,867</u>	<u>100,954</u>	<u>148,821</u>
Total Receipts Over/(Under) Disbursements	<u>9,110</u>	<u>(133)</u>	<u>8,977</u>
Other Financing Receipts:			
Other Sources	<u>0</u>	<u>80</u>	<u>80</u>
Total Other Financing Receipts	<u>0</u>	<u>80</u>	<u>80</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	<u>9,110</u>	<u>(53)</u>	<u>9,057</u>
Fund Cash Balances, January 1	<u>16,676</u>	<u>41,970</u>	<u>58,646</u>
Fund Cash Balances, December 31	<u><u>\$25,786</u></u>	<u><u>\$41,917</u></u>	<u><u>\$67,703</u></u>

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

**EAGLE TOWNSHIP
BROWN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Local Taxes	\$27,711	\$33,981	\$0	\$61,692
Intergovernmental	31,944	65,526	14,681	112,151
Licenses, Permits, and Fees	30	460		490
Earnings on Investments	564	325		889
Other Revenue	684	5,284		5,968
	<u>60,933</u>	<u>105,576</u>	<u>14,681</u>	<u>181,190</u>
Cash Disbursements:				
Current:				
General Government	52,641	556		53,197
Public Safety		38,695		38,695
Public Works	728	90,968		91,696
Health	7,857			7,857
Capital Outlay			14,681	14,681
	<u>61,226</u>	<u>130,219</u>	<u>14,681</u>	<u>206,126</u>
Total Receipts Under Disbursements	<u>(293)</u>	<u>(24,643)</u>	<u>0</u>	<u>(24,936)</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		15,000		15,000
Transfers-Out	(15,000)			(15,000)
Other Sources	1,342	1,449		2,791
Other Uses	(1,494)			(1,494)
	<u>(15,152)</u>	<u>16,449</u>	<u>0</u>	<u>1,297</u>
Cash Receipts and Other Financing Receipts Under Cash Disbursements and Other Financing Disbursements	(15,445)	(8,194)		(23,639)
Fund Cash Balances, January 1	<u>32,121</u>	<u>50,164</u>		<u>82,285</u>
Fund Cash Balances, December 31	<u>\$16,676</u>	<u>\$41,970</u>	<u>\$0</u>	<u>\$58,646</u>

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

**EAGLE TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Eagle Township, Brown County, Ohio (the Township), is a body corporate and politic 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 provides road and bridge maintenance, cemetery maintenance, and fire protection. The Township contracts with the Village of Sardinia and the Winchester Community Fire District to provide fire protection.

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash Deposits

All Township funds are deposited in an interest-bearing checking account.

D. Fund Accounting

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

1. 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.

2. Special Revenue Funds

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

Gasoline Tax Fund

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

Motor Vehicle License Fund

This fund receives motor vehicle license tax money to construct, maintain and repair Township roads.

**EAGLE TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Fund

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

3. Capital Project Fund

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

Issue II Fund

The Township received a grant from the State of Ohio in 2001 for a Township road paving project. This fund accounts for monies paid by the State directly to contractors for road paving projects on behalf of the Township.

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. However, there were no encumbrances as of December 31, 2002 and 2001.

A summary of 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

**EAGLE TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

2. EQUITY IN POOLED CASH

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

	2002	2001
Demand deposits	\$67,703	\$58,646

Deposits are insured by the Federal Depository Insurance Corporation.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2002 and 2001 follows:

2002 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$55,618	\$56,977	\$1,359
Special Revenue	100,602	100,901	299
Total	\$156,220	\$157,878	\$1,658

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$72,385	\$47,867	\$24,518
Special Revenue	142,559	100,954	41,605
Total	\$214,944	\$148,821	\$66,123

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$58,000	\$62,275	\$4,275
Special Revenue	103,400	122,025	18,625
Capital Projects	14,682	14,681	(1)
Total	\$176,082	\$198,981	\$22,899

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$90,121	\$77,720	\$12,401
Special Revenue	153,565	130,219	23,346
Capital Projects	0	14,681	(14,681)
Total	\$243,686	\$222,620	\$21,066

The Township did not formally establish a fund, as required by Ohio Rev. Code, Section 5705.09(F), and therefore did not establish the required budgetary authority.

**EAGLE TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

4. PROPERTY TAX

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

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

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

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

5. RETIREMENT SYSTEMS

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

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

6. RISK MANAGEMENT

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

OTARMA retains casualty risks up to \$250,000 per occurrence. Claims exceeding \$250,000 are reinsured with APEEP up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000, which the General Reinsurance Corporation will reinsure.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks including automobile physical damage up to \$100,000 on any specific loss. The Travelers Indemnity Company reinsures specific losses exceeding \$100,000.

**EAGLE TOWNSHIP
BROWN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001
(Continued)**

6. RISK MANAGEMENT (Continued)

The Travelers Indemnity Company also provides aggregate excess coverage for property including automobile physical damage subject to an annual stop loss. When the stop loss is reached in any year, The Travelers Indemnity Company provides coverage in excess of \$10,000.

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.

Financial Position

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

<u>Casualty Coverage</u>	<u>2001</u>	<u>2000</u>
Assets	\$23,703,776	\$22,684,383
Liabilities	<u>9,379,003</u>	<u>8,924,977</u>
Retained earnings	<u>\$14,324,773</u>	<u>\$13,759,406</u>
 <u>Property Coverage</u>	 <u>2001</u>	 <u>2000</u>
Assets	\$5,011,131	\$4,156,784
Liabilities	<u>647,667</u>	<u>497,831</u>
Retained earnings	<u>\$4,363,464</u>	<u>\$3,658,953</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Eagle Township
Brown County
10291 Malblanc Road
Winchester, Ohio 45697

To the Board of Trustees:

We have audited the accompanying financial statements of Eagle Township, Brown County, Ohio (the Township), as of and for the years ended December 31, 2002 and 2001, and have issued our report thereon dated May 21, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2002-40408-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated May 21, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Township in a separate letter dated May 21, 2003.

This report is intended solely for the information and use of management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

May 21, 2003

**EAGLE TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2002 AND 2001**

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

FINDING NUMBER 2002-40408-001

Material Noncompliance

Ohio Rev. Code, Section 5705.09(F), requires the Township to establish a “special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose”. Upon establishing a fund, estimated receipts should be certified to the County Auditor as available for expenditure, and anticipated expenditures should be included in the Township’s appropriations. The State made \$14,681 of payments of Issue II monies to a contractor on behalf of the Township. The Township did not formally establish the required fund to account for these monies. Guidance on the accounting treatment for these types of transactions is set forth in Auditor of State Bulletin 2002-004.

We also reported this matter in management letter of our audit of the 2000 financial statements.

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**EAGLE TOWNSHIP
BROWN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-40408-001	Ohio Rev. Code Section 5705.41(B), prohibits expenditure in excess of appropriations.	Yes	
2000-40408-002	Ohio Rev. Code Section 5705.41(D), purchase order date should precede invoice date.	Yes	
2000-40408-003	Finding for Recovery – Trustee was overpaid during his term. Amount of \$800 was repaid June 8, 2001.	Yes	
2000-40408-004	Reportable Condition – Clerk overpaid Trustees in one year and underpaid them the following year. Not following ORC requirements for payroll correctly.	Yes	



**Auditor of State
Betty Montgomery**

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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
JUNE 12, 2003**