



Mary Taylor, CPA
Auditor of State

**CROSBY TOWNSHIP
HAMILTON 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, 2005.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	4
Notes to the Financial Statements	5
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters	15
Schedule of Findings	17
Schedule of Prior Audit Findings	25

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Crosby Township
Hamilton County
8910 Willey Road
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accounts, financial records, files and reports of Crosby Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, following Ohio Admin. Code § 117-4-02.

There are reportable findings and conditions as a result of performing these procedures. These findings and conditions are described in the Schedule of Findings on page 17.

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

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Mary Taylor, CPA
Auditor of State

September 7, 2007

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**CROSBY TOWNSHIP
HAMILTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$230,076	\$221,242	\$0	\$451,318
Intergovernmental	112,783	104,385		217,168
Charges for Services		546,003		546,003
Licenses, Permits, and Fees		6,042		6,042
Fines, Forfeitures, and Penalties	25			25
Earnings on Investments	9,995	2,766		12,761
Other Revenue	21,337	7,281		28,618
	<u>374,216</u>	<u>887,719</u>	<u>0</u>	<u>1,261,935</u>
Cash Disbursements:				
Current:				
General Government	150,774	5,446		156,220
Public Safety	4,836	683,666		688,502
Public Works	8,359	55,886		64,245
Health	6,420			6,420
Human Services	34,400			34,400
Conservation - Recreation	27,272			27,272
Debt Service:				
Redemption of Principal	88,888			88,888
Interest and Fiscal Charges	18,963			18,963
Capital Outlay		67,890	124,786	192,676
	<u>339,912</u>	<u>812,888</u>	<u>124,786</u>	<u>1,277,586</u>
Total Cash Disbursements	<u>339,912</u>	<u>812,888</u>	<u>124,786</u>	<u>1,277,586</u>
Total Receipts Over/(Under) Disbursements	<u>34,304</u>	<u>74,831</u>	<u>(124,786)</u>	<u>(15,651)</u>
Other Financing Receipts:				
Proceeds from Sale of Public Debt:				
Sale of Bonds			300,000	300,000
	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Total Other Financing Receipts	<u>0</u>	<u>0</u>	<u>300,000</u>	<u>300,000</u>
Excess of Cash Receipts and Other Financing Receipts Over Cash Disbursements	34,304	74,831	175,214	284,349
Fund Cash Balances, January 1	<u>832,949</u>	<u>628,277</u>	<u>0</u>	<u>1,461,226</u>
Fund Cash Balances, December 31	<u>\$867,253</u>	<u>\$703,108</u>	<u>\$175,214</u>	<u>\$1,745,575</u>
Reserve for Encumbrances, December 31	<u>\$16,648</u>	<u>\$13,959</u>	<u>\$0</u>	<u>\$30,607</u>

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

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

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$221,962	\$210,861		\$432,823
Intergovernmental	67,797	82,734	\$81,088	231,619
Charges for Services		693,073		693,073
Licenses, Permits, and Fees		2,925		2,925
Fines, Forfeitures, and Penalties	66			66
Earnings on Investments	5,571	1,918		7,489
Other Revenue	4,797	173,545		178,342
	<u>300,193</u>	<u>1,165,056</u>	<u>81,088</u>	<u>1,546,337</u>
Cash Disbursements:				
Current:				
General Government	186,800	8,227		195,027
Public Safety	3,644	730,451		734,095
Public Works	746	63,315		64,061
Health	13,731			13,731
Human Services	26,722			26,722
Conservation - Recreation	10,178			10,178
Capital Outlay		331,329	81,088	412,417
	<u>241,821</u>	<u>1,133,322</u>	<u>81,088</u>	<u>1,456,231</u>
Total Cash Disbursements	<u>241,821</u>	<u>1,133,322</u>	<u>81,088</u>	<u>1,456,231</u>
Total Receipts Over Disbursements	<u>58,372</u>	<u>31,734</u>	<u>0</u>	<u>90,106</u>
Other Financing Receipts and (Disbursements):				
Transfers-In		158,500		158,500
Transfers-Out	(158,500)			(158,500)
	<u>(158,500)</u>	<u>158,500</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)	<u>(158,500)</u>	<u>158,500</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(100,128)	190,234	0	90,106
Fund Cash Balances, January 1	933,077	438,043	0	1,371,120
Fund Cash Balances, December 31	<u>\$832,949</u>	<u>\$628,277</u>	<u>\$0</u>	<u>\$1,461,226</u>
Reserve for Encumbrances, December 31	<u>\$61,692</u>	<u>\$44,429</u>	<u>\$0</u>	<u>\$106,121</u>

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

1. Summary of Significant Accounting Policies

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Crosby Township, Hamilton County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire protection and emergency medical services. The Township contracts with the Hamilton County Sheriff to provide police protection.

The Township participates in Ohio Township Association Risk Management Authority public entity risk pool. Note 7 to the financial statements provides additional information for this entity.

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

B. Accounting Basis

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

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

C. Cash and Investments

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit at cost. Investments in STAR Ohio are recorded at share values STAR Ohio reports.

D. Fund Accounting

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

1. General Fund

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

2. Special Revenue Funds

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

Road and Bridge Fund - This fund receives property tax money for constructing, maintaining, and repairing Township roads and bridges.

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

Fire and EMS Fund – This fund receives monies from Fernald to provide fire and EMS services.

Fire District Fund – This fund receives property tax money to provide fire and rescue services to the residents of the Township.

3. Capital Project Funds

These funds account for receipts restricted to acquiring or constructing major capital projects. The Township had the following significant capital project funds:

Community Development Block Grant Fund - The Township received a grant from the State of Ohio for improvements to the New Baltimore Storm Sewer. This fund was used only in 2004.

Fire Department Improvement Fund – This fund received proceeds of bonds used for Fire Department building improvements and was established based on the debt agreement.

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 unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

3. Encumbrances

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated. The Township did not encumber all commitments required by Ohio law. Management has included audit adjustments in the accompanying budgetary presentations for material items that should have been encumbered

A summary of 2005 and 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. Equity in Pooled Cash and Investments

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

	<u>2005</u>	<u>2004</u>
Demand deposits	\$1,060,471	\$785,472
Certificates of deposit	524,044	519,555
Total deposits	<u>1,584,515</u>	<u>1,305,027</u>
STAR Ohio	161,060	156,199
Total investments	<u>161,060</u>	<u>156,199</u>
Total deposits and investments	<u><u>\$1,745,575</u></u>	<u><u>\$1,461,226</u></u>

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

Investments: Investments in STAR Ohio are not evidenced by securities that exist in physical or book-entry form.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. Budgetary Activity

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$385,165	\$374,216	(\$10,949)
Special Revenue	1,075,968	887,719	(188,249)
Capital Projects	0	300,000	300,000
Total	\$1,461,133	\$1,561,935	\$100,802

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$0	\$356,560	(\$356,560)
Special Revenue	0	826,847	(826,847)
Capital Projects	0	124,786	(124,786)
Total	\$0	\$1,308,193	(\$1,308,193)

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$274,725	\$300,193	\$25,468
Special Revenue	281,728	1,323,556	1,041,828
Capital Projects	0	81,088	81,088
Total	\$556,453	\$1,704,837	\$1,148,384

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$302,339	\$462,013	(\$159,674)
Special Revenue	369,450	1,177,751	(808,301)
Capital Projects	0	81,088	(81,088)
Total	\$671,789	\$1,720,852	(\$1,049,063)

Contrary to Ohio law, the following funds had negative fund balances as of December 31, 2004: Road and Bridge Fund (\$11,407), Fire District Fund (\$42,565). The following funds had negative fund balances as of December 31, 2005: Road and Bridge (\$8,692), Fire District (\$60,335), Fire Fighter EMT (\$1,703).

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

3. Budgetary Activity (Continued)

Contrary to Ohio Law, in 2004 budgetary expenditures exceeded appropriations as follows: General Fund (\$159,675), Road and Bridge Fund (\$13,197), Fire District Fund (\$266,340), Fire Fighter EMT Fund (\$152,440), Fire and EMS Fund (\$437,472), and Community Development Block Grant Fund (\$81,088). In 2005 budgetary expenditures exceeded appropriations as follows: General Fund (\$356,564), Motor Vehicle (\$17,583), Gasoline Tax Fund (\$38,743), Road and Bridge Fund (\$42), Fire District Fund (\$242,020), Zoning Fund (\$24), Firefighter EMT Fund (\$47,729), Fire and EMS (\$480,705), and Fire Improvement Capital Projects Fund (\$124,786).

Contrary to Ohio law, in 2004, appropriations exceeded estimated resources in the following funds: Fire District (\$19,202), Motor Vehicle License Tax (\$1,990), Road and Bridge Fund (\$1,999), and in 2005, the Zoning Fund (\$16,299).

Contrary to Ohio law, the Township did not properly establish appropriation measures for 2004 and 2005.

Contrary to Ohio law, the Township failed to submit the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances to the County Auditor for 2004 and 2005.

4. Property Tax

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

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

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

5. Debt

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
2001 Township Building Note	\$88,889	5.1%
2005 Fire Station Improvement Bonds	300,000	3.75%
Total	\$388,889	

The Township issued general obligation notes to finance the construction of an administration building. The notes are collateralized solely by the Township's taxing authority.

The Township issued general obligation bonds to finance various improvements to the Township's firehouses. The notes are collateralized solely by the Township's taxing authority.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

5. Debt (Continued)

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

Year ending December 31:	General Obligation Bonds	General Obligation Notes
2006	\$36,250	\$48,978
2007	37,313	46,711
2008	36,300	
2009	36,288	
2010	36,238	
2011 – 2015	182,863	
Total	<u>\$365,252</u>	<u>\$95,689</u>

6. Retirement Systems

The Township's certified Fire Fighters belong to the Ohio Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, OP&F participants contributed 10% of their wages. For 2005 and 2004, the Township contributed to OP&F an amount equal to 24% of their wages. For 2005 and 2004, OPERS members contributed 8.5% of their gross salaries and the Township contributed an amount equaling 13.55% of participants' gross salaries.

During January 2004, the Township withheld retirement contributions from employees' earnings, but failed to remit \$105 in employee contributions and \$251 in employer contributions to the Ohio Police and Fire Pension Fund. At December 31, 2003, the Township owed \$305 in employer and employee portions to Ohio Public Employees Retirement System for fiscal year 2003 payroll.

The Township's part-time emergency personnel paid into Social Security (FICA) and Medicare. For 2005 and 2004, members contributed 7.65%, with the Township contributing the same percentage.

7. Risk Management

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

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

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. Risk Management (Continued)

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

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.

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

7. Risk Management (Continued)

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
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 \$35,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Township Contributions to OTARMA</u>	
2003	\$13,934
2004	\$16,356
2005	\$17,536

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

8. Contingent Liabilities

The Township is defendant in a lawsuit. Although management cannot presently determine the outcome of this suit, management believes that the resolution of these matters will not materially adversely affect the Township's financial condition.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004
(Continued)**

9. Compliance

Expenditures were made without supporting invoices and documentation.

The Township did not establish funds for Permissive Motor Vehicle License Tax monies, Community Development Block Grant, and Federal Emergency Management Agency grant.

Revenues were not properly posted in accordance with the prescribed chart of accounts.

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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

Crosby Township
Hamilton County
8910 Willey Road
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the financial statements of Crosby Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated September 7, 2007.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2005-001 through 2005-011.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. We consider reportable conditions 2005-001, 2005-002, and 2005-005 listed above to be material weaknesses. In a separate letter to the Township's management dated September 7, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters which are described in the accompanying schedule of findings as items 2005-003 through 2005-011. In a separate letter to the Township's management dated September 7, 2007, we reported other matters related to noncompliance we deemed immaterial.

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

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

Mary Taylor, CPA
Auditor of State

September 7, 2007

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

FINDING NUMBER 2005-001

Material Weakness

When designing the public office's system of internal control and the specific control objective activities, management should consider ensuring that accounting records are properly designed. Management should also ensure the collection and compilation of the data needed for the timely preparation of financial statements, as well as verifying the existence and valuation of assets and liabilities and periodically reconciling them to the accounting records. The Township does not have proper controls and procedures over bank reconciliations as evidenced by the following:

- Interest was not posted during 2004 in the amount of \$7,491 and 2005 in the amount of \$12,782.
- Various receipts were never posted. In January 2004, the Township received a check in the amount of \$136,167 from Fernald for Fire and EMS contract services. This transaction was never posted. Various gasoline tax settlements from the Hamilton County Auditor in 2005 were not posted in the amounts of \$11,237 in the General Fund and \$4,060 in the Motor Vehicle License Fund.
- Checks written by the Township were not properly accounted for in the Township records. Checks prepared manually from February 24, 2004 through March 18, 2004 totaling \$14,068 were not posted.
- Checks were voided in the UAN system after clearing the bank. In 2004, three checks totaling \$3,851 were voided after clearing the bank. In 2005, two checks totaling \$971 were voided after clearing the bank.
- Bank service charges including check printing charges were not recorded. In 2004, the Township did not record \$396 in bank charges. In 2005, the Township did not record \$1,196 in bank charges.
- Significant amounts of time elapsed between the time a receipt was deposited and the date it was posted. There were fifteen receipts that were not posted until five months after being deposited, eight receipts that were not posted until four months after being deposited, and one receipt that was not posted until six months after being deposited.
- Other transactions were not properly accounted for. In November 2004, the Township received a check in the amount of \$19,089 from the Auditor of State for Rollback and Homestead exemption. This check was deposited on March 4, 2005 and returned as a stale dated check on March 11, 2005. A replacement check was issued and deposited on May 25, 2005. However, this replacement check was never posted to the UAN system.
- In February 2005, the Township's regular checking account was overdrawn in amounts ranging from \$33,770 to \$40,422. As a result, the Township incurred over \$190 in bank service charges which were not recorded.

**FINDING NUMBER 2005-001
(Continued)**

Numerous audit adjustments were made to the financial statements for the items noted above. Failure to accurately maintain the Township's accounting records 1) reduces the accountability over Township funds, 2) reduces the Trustees' ability to monitor financial activity, 3) increases the likelihood that monies will be misappropriated and not detected, and 4) increases the likelihood that the Township's financial misstatements will be misstated.

We recommend the Township Clerk accurately maintain accounting records using the Ohio Township Handbook as guidance.

FINDING NUMBER 2005-002

Material Weakness

When designing the public office's system of internal control and the specific control objective activities, management should plan for adequate segregation of duties or compensating controls.

The small size of the Township's staff does not allow for adequate segregation of duties. The Clerk performs all the financial record keeping including receipting, depositing, check writing, and posting. This system could result in diversion of funds and bookkeeping errors without detection in a timely manner.

The following weaknesses were noted:

- All of the prior audit findings had not been addressed or corrected.
- Revenues, as noted in Finding 2005-001, were posted to the wrong funds or accounts and were undetected by the Trustees.
- Bank reconciliations were not timely completed and the Township records were not properly reconciled for long periods of time.
- The Township Trustees did not receive monthly financial reports, which included bank reconciliations. This enabled the Clerk to not properly post transactions that had already been deposited, as stated in Finding 2005-001.
- Improper monitoring of the Clerk by the Trustees also led to checks being held for as much as five months before being deposited and the Township having to pay overdraft charges.

We recommend the Township implement monitoring controls over financial processing and reporting, and audit follow-up that will help support the objectives of the Trustees and management in these areas. Monitoring controls should be implemented by someone independent of those performing the tasks.

The following procedures, at a minimum, should be implemented:

- The Trustees should receive monthly financial reports including, but not limited to: bank reconciliations (with supporting documentation such as bank statements and outstanding checklists), estimated versus actual receipts, and appropriations compared to actual expenditures. The Trustees should receive these reports prior to their regular meetings so that members have an opportunity to review the information and ask informed questions. Trustees' approval of these reports should be documented in the minutes. The documents reviewed should be initialed and dated by the reviewer.
- Upon receiving audit reports, the Trustees should take action to see that the findings are addressed and corrected.

FINDING NUMBER 2005-003

Reportable Condition/Noncompliance Citation

Ohio Revised Code, § 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

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

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

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Of 40 expenditures (20 in each year) tested, 15 (75%) were not properly certified in 2004 and 20 (100%) were not properly certified in 2005. In addition we could not determine if four (20%) additional expenditures in 2004 were properly encumbered because no documentation was available. There was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

**FINDING NUMBER 2005-003
(Continued)**

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

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

This was also reported in the management letter of the audit of the 2002-2003 financial statements.

FINDING NUMBER 2005-004

Reportable Condition/Noncompliance Citation

Ohio Revised 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 appropriations. As further discussed in Auditor of State Bulletin 2000-008, the Clerk shall record the appropriations in accordance with the terms and conditions of the grant or project agreement. In addition, prior to recording the appropriations, Ohio Revised Code § 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Township did not record permissive motor vehicle license tax monies in the correct fund. The monies were recorded in the Motor Vehicle License Tax fund rather than a separate Permissive Motor Vehicle License Tax fund. The accompanying financial statements have been adjusted to reflect receipts of \$11,257 and \$10,342 for the years ending December 31, 2005 and 2004, respectively.

The Township did not record the Community Development Block Grant (CDBG) disbursed to the Township under the Hamilton County Community Development program, nor was the grant money included in the appropriations by the Board of Trustees in fiscal year 2004. The accompanying financial statements have been adjusted to reflect receipts and disbursements of \$81,088 for the year ended December 31, 2004.

The Township did not establish a separate fund for the Federal Emergency Management Agency (FEMA) activity, nor was the grant money included in the appropriations by the Board of Trustees in fiscal year 2005. The Township did not record the receipts of this grant and recorded the disbursements of this grant in other funds. The accompanying financial statements have been adjusted to reflect receipts of \$3,510 for the year ending December 31, 2005. We were unable to determine from which funds the disbursements were paid.

**FINDING NUMBER 2005-004
(Continued)**

A separate fund would allow the Township to maintain a clear record of the receipts and disbursements made from these restricted revenues. We recommend the Township establish a special fund for each class of revenues derived from a source other than the general property tax. The Township should follow Auditor of State Bulletins 1998-013 and 2000-008 regarding handling federal funds. We recommend the Township determine which funds the disbursements related to FEMA were paid from and reimburse those funds from the FEMA fund.

FINDING NUMBER 2005-005

Material Weakness/Noncompliance Citation

Ohio Administrative Code, § 117-2-02(A), requires governments to maintain an accounting system and accounting records sufficient to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Accurate classifications will provide the Township with information required to monitor compliance with the budget, and prepare annual reports in the format required by the Ohio Administrative Code. Townships using the Uniform Accounting Network (UAN) should refer to the Ohio Township Handbook when posting financial transactions.

The Township failed to correctly use the prescribed chart of accounts in 2004 and 2005. The Township did not properly record revenues. Many receipts were posted to incorrect funds, posted at incorrect amounts, or not posted at all as stated in Finding 2005-002. Numerous adjustments were made to properly record the Township's fund balances and to properly classify the monies received and disbursed in 2004 and 2005 as stated in Finding 2005-002. Many receipts were also not timely posted to the UAN system when we compared the deposit date with the UAN receipt date as stated in Finding 2005-002.

Failure to properly and timely record revenues can result in overspending funds and negative cash balances.

All receipts should be recorded as soon as they are received. Real estate taxes and property tax rollback receipts should be recorded at the gross amount with deductions posted as expenditures; these receipts should also be compared to the Statements of Semi-Annual Apportionment of Taxes to ensure they are posted to the proper funds. Receipts and expenditures posted to the annual financial report should be consistently posted to funds and line items and should be reviewed for accuracy. Comparisons between years may aid in the determination if a receipt or expenditure has been properly posted. We recommend the Township follow the Ohio Township Handbook for proper posting of activity.

FINDING NUMBER 2005-006

Reportable Condition/Noncompliance Citation

Ohio Revised Code, Section 5705.41(B), provides that no subdivision or taxing unit is to expend money unless it has been appropriated. Expenditures exceeded appropriations as follows:

2004	Appropriations	Expenditures	Variance
General Fund	\$302,339	\$462,014	\$(159,675)
Road & Bridge Fund	5,200	18,397	(13,197)
Fire District Fund	210,300	476,640	(266,340)
Firefighter EMT Fund	45,000	197,440	(152,440)
Fire & EMS Fund	0	437,472	(437,472)
Community Development Block Grant Fund	0	81,088	(81,088)
2005			
General Fund	0	356,564	(356,564)
Motor Vehicle Fund	0	17,583	(17,583)
Gasoline Tax Fund	0	38,743	(38,743)
Road & Bridge Fund	0	42	(42)
Fire District Fund	0	242,020	(242,020)
Zoning Fund	0	24	(24)
Firefighter EMT Fund	0	47,729	(47,729)
Fire & EMS	0	480,705	(480,705)
Fire Improvements Capital Projects Fund	0	124,786	(124,786)

Failure to limit expenditures to appropriations may result in overspending and negative fund balances. We recommend the Township limit expenditures to the appropriated amount. The Clerk should deny any payments until Council has passed the necessary changes to the appropriation measure.

FINDING NUMBER 2005-007

Reportable Condition/Noncompliance Citation

Ohio Revised Code, Section 5705.38(A), requires that on or about the first day of each fiscal year, an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received from the county budget commission based upon the actual year end balances, it may pass a temporary appropriation measure for meeting the ordinary expenses until no later than April 1.

Per review of the minutes, the Trustees approved temporary appropriations at the January 2005 meeting. However, we were unable to obtain copies of these resolutions for 2004 and 2005.

Failure to properly approve and record appropriations could result in overspending and negative fund balances.

We recommend the Township retain copies of all appropriations resolutions. Furthermore, the Trustees should monitor appropriations to ensure what is approved is properly recorded into the Township's accounting system.

FINDING NUMBER 2005-008

Reportable Condition/Noncompliance Citation

Ohio Revised Code, Section 5705.36, provides that on or about the first day of each fiscal year, the fiscal officers of subdivisions and other taxing units are to certify to the county auditor the total amount from all sources available for expenditures from each fund in the tax budget along with any unencumbered balances existing at the end of the preceding year. The Township did not submit the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances for 2004 and 2005.

Failure to submit this document could result in inaccurate data being submitted to the County Auditor. This could result in the Township not receiving all monies to which it is due.

We recommend the Township submit the Certificate of the Total Amount from All Sources Available for Expenditures, and Balances to the County Auditor as required.

FINDING NUMBER 2005-009

Reportable Condition/Noncompliance Citation

Ohio Revised Code, Section 5705.10 (H), provides that money paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

The following funds had negative fund balances on December 31, 2004 and 2005.

Year	Fund	Amount of Negative Fund Balance
2004	Road & Bridge	(\$11,407)
2004	Fire District	(42,565)
2005	Road & Bridge	(8,692)
2005	Fire District	(60,335)
2005	Firefighter EMT	(1,703)

These negative fund balances were the result of audit adjustments made.

We recommend the Township monitor the various fund balances to ensure negative fund balances do not exist.

FINDING NUMBER 2005-010

Reportable Condition/Noncompliance Citation

Ohio Rev. Code, Section 5705.39, states, in part, that the total appropriation from each fund should not exceed the total estimated revenue. No appropriation measure is to become effective until the County Auditor files a certificate the total appropriations from each fund do not exceed the total official estimate or amended official estimate. Appropriations exceeded estimated resources in the following funds listed below. Failure to obtain amended certificates of estimated resources may result in overspending and negative fund balances. The Township should not appropriate in excess of estimated resources.

Fund	Estimated Resources	Appropriations	Variance
Fire District (2004)	\$191,098	\$210,300	\$(19,202)
Motor Vehicle (2004)	29,560	31,500	(1,990)
Road and Bridge (2004)	3,201	5,200	(1,999)
Zoning (2005)	(16,299)	0	(16,299)

FINDING NUMBER 2005-011

Noncompliance Citation/Reportable Condition

Ohio Revised Code, Section 9.38, provides, in part, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt, if the total amount of such monies received exceeds one thousand dollars. If the total amount of public money received does not exceed one thousand dollars, the person shall deposit the monies on the next business day following the day of receipt, unless the public office of which that person is a public official adopts a policy permitting a different time period, not to exceed three business days following the day of receipt, for making such deposits, and the person is able to safeguard the monies until such time as the monies are deposited. The policy shall include provisions and procedures to safeguard the public moneys until they are deposited.

The Township receives many receipts via direct deposit; however, some receipts are received by check. Receipts received by check were not always timely deposited, ranging from two weeks to nearly three months. The Township also allowed some checks to become stale-dated which required getting replacement checks issued. Failure to deposit monies in accordance with the Ohio Revised Code could result in misappropriation of Township funds and also could result in the loss of interest revenue. We recommend the Fiscal Officer make timely deposits of all Township monies.

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	Failure to establish a special fund for each class of revenues	No	Not corrected. Reissued as Finding number 2005-004.
2003-002	Appropriations exceeded estimated revenues.	No	Not corrected. Reissued as Finding number 2005-010.



Mary Taylor, CPA
Auditor of State

CROSBY TOWNSHIP

HAMILTON 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
OCTOBER 18, 2007**