



**Auditor of State
Betty Montgomery**

CROSBY TOWNSHIP
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Crosby Township
Hamilton County
8910 Willey Road
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accompanying financial statements of Crosby Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002. 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.

The Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe 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 and reserve for encumbrances of the Township as of December 2003 and 2002, 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 August 5, 2004 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 Audit Committee, the Board and other officials authorized to receive this report under § 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

August 5, 2004

**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:				
Local Taxes	\$196,183	\$172,707		\$368,890
Intergovernmental	79,564	79,462	53,950	212,976
Charges for Services	12,321	336,544		348,865
License, Permits and Fees		2,545		2,545
Fines and Forfeitures	486			486
Earnings on Investments	6,805	2,601		9,406
Other Revenue	28,109	50,829		78,938
	<u>323,468</u>	<u>644,688</u>	<u>53,950</u>	<u>1,022,106</u>
Cash Disbursements:				
Current:				
General Government	147,631	3,457		151,088
Public Safety	21,335	275,028		296,363
Public Works	5,382	72,612		77,994
Health	9,246			9,246
Human Services	22,315			22,315
Conservation / Recreation	8,341			8,341
Debt Service:				
Redemption of Principal	44,444			44,444
Interest and Fiscal Charges	11,327			11,327
Capital Outlay	55	281,985	53,950	335,990
	<u>270,076</u>	<u>633,082</u>	<u>53,950</u>	<u>957,108</u>
Total Receipts Over Disbursements	53,392	11,606	0	64,998
Fund Cash Balances, January 1	<u>879,685</u>	<u>426,437</u>		<u>1,306,122</u>
Fund Cash Balances, December 31	<u>\$933,077</u>	<u>\$438,043</u>	<u>\$0</u>	<u>\$1,371,120</u>
Reserve for Encumbrances, December 31	<u>\$2,165</u>	<u>\$13,080</u>	<u>\$0</u>	<u>\$15,245</u>

**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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:			
Local Taxes	\$195,051	\$192,803	\$387,854
Intergovernmental	72,738	76,752	149,490
Charges for Services	6,727	10,782	17,509
License, Permits and Fees		1,668	1,668
Fines and Forfeitures	7		7
Earnings on Investments	11,014	4,023	15,037
Other Revenue	30,215	20,581	50,796
	<u>315,752</u>	<u>306,609</u>	<u>622,361</u>
Cash Disbursements:			
Current:			
General Government	151,420	2,453	153,873
Public Safety		262,118	262,118
Public Works	7,011	51,406	58,417
Health	9,493		9,493
Human Services	22,619		22,619
Conservation / Recreation	4,326		4,326
Debt Service:			
Redemption of Principal	44,444		44,444
Interest and Fiscal Charges	13,575		13,575
Capital Outlay	19,052	3,973	23,025
	<u>271,940</u>	<u>319,950</u>	<u>591,890</u>
Total Receipts Over (Under) Disbursements	43,812	(13,341)	30,471
Fund Cash Balances, January 1	<u>835,873</u>	<u>439,778</u>	<u>1,275,651</u>
Fund Cash Balances, December 31	<u>\$879,685</u>	<u>\$426,437</u>	<u>\$1,306,122</u>
Reserve for Encumbrances, December 31	<u>\$6,112</u>	<u>\$5,614</u>	<u>\$11,726</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, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Crosby Township, Hamilton 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 fire protection, road maintenance, and recreational services. The Township contracts with the Hamilton County Sheriff's Department to provide security of persons and property.

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 and Investments

Certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

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 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:

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Gasoline Tax Fund - This fund receives a monthly distribution of gasoline excise tax money from the County Auditor to pay for constructing, maintaining, and repairing Township roads.

3. Capital Projects Fund

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

Community Development Block Grant Fund - The Township received a grant from Hamilton County to construct a storm sewer.

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.

3. Encumbrances

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

A summary of 2003 and 2002 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.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's basis of accounting.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	2003	2002
Demand deposits	\$701,053	\$642,723
Certificates of deposit	515,976	510,871
Total deposits	1,217,029	1,153,594
STAR Ohio	154,091	152,528
Total Investments	154,091	152,528
Total deposits and investments	\$1,371,120	\$1,306,122

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation, (2) 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.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$271,835	\$323,468	\$51,633
Special Revenue	285,240	644,688	359,448
Capital Projects	0	53,950	53,950
Total	\$557,075	\$1,022,106	\$465,031

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$421,988	\$272,241	\$149,747
Special Revenue	893,558	646,162	247,396
Capital Projects	0	53,950	(53,950)
Total	\$1,315,546	\$972,353	\$343,193

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$262,028	\$315,752	\$53,724
Special Revenue	279,905	306,609	26,704
Total	\$541,933	\$622,361	\$80,428

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2002 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$345,789	\$278,052	\$67,737
Special Revenue	460,450	325,564	134,886
Total	\$806,239	\$603,616	\$202,623

In 2003, the Township had appropriations in excess of estimated resources in the Fire and EMS fund in the amount of \$436,808. The Township failed to appropriate or certify CDBG receipts in 2003, contrary to Ohio law.

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.

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, 2003 was as follows:

	Principal	Interest Rate
2001 Township Building Note	\$177,777	5.10%

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

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

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

Year ending December 31:	<u>General Obligation Note</u>
2004	\$53,511
2005	51,244
2006	48,978
2007	46,711
Total	<u><u>\$200,444</u></u>

6. RETIREMENT SYSTEMS

The Township's full-time and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The 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. PERS members contributed 8.5% of their Crosby salaries. The Township contributed an amount equal to 13.55% of participants' Crosby salaries for 2002 and 2003. The Township has not paid all contributions required through December 31, 2003.

7. RISK POOL MEMBERSHIP

The Government belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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 claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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.

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK POOL MEMBERSHIP (Continued)

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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 2003 and 2002 (the latest information available):

<u>Casualty Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	<u>\$16,000,923</u>	<u>\$14,559,524</u>

<u>Property Coverage</u>	<u>2003</u>	<u>2002</u>
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	<u>\$6,040,104</u>	<u>\$5,392,670</u>



**Auditor of State
Betty Montgomery**

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

Crosby Township
Hamilton County
8910 Willey Road
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accompanying financial statements of Crosby Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 5, 2004, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network to process accounting transactions. 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 to 2003-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the Township in a separate letter dated August 5, 2004.

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.

This report is intended solely for the information and use of management, the Audit Committee, 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

August 5, 2004

**CROSBY TOWNSHIP
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002**

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

FINDING NUMBER 2003-001

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 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 Rev. Code, Section 5705.40 requires the legislative authority to pass a resolution amending its appropriation measure.

The Clerk 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 for fiscal year 2003. However, the receipts and disbursements of \$53,950 have been recorded on the audited financial statements for the year ended December 31, 2003.

FINDING NUMBER 2003-002

Material Noncompliance

Ohio Rev. Code, Section 5705.39, requires that "the total appropriation from each fund should not exceed the total estimated revenue." At December 31, 2003 appropriations exceeded estimated revenue in the Fire and EMS fund by \$436,808.



**Auditor of State
Betty Montgomery**

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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
AUGUST 24, 2004**