



**Auditor of State  
Betty Montgomery**



ANDERSON TOWNSHIP  
HAMILTON COUNTY

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**Auditor of State  
Betty Montgomery**

Anderson Township  
Hamilton County  
7954 Beechmont Avenue  
Cincinnati, Ohio 45255

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

**Betty Montgomery**  
Auditor of State

November 17, 2006

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## Auditor of State Betty Montgomery

### INDEPENDENT ACCOUNTANTS' REPORT

Anderson Township  
Hamilton County  
7954 Beechmont Avenue  
Cincinnati, Ohio 45255

To the Board of Trustees:

We have audited the accompanying financial statements of Anderson Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial payroll transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the year ended December 31, 2005 and 2004. Instead of the combined funds the accompanying financial statements present for 2005 and 2004, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2005 and 2004. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

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In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2005 and 2004 do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2005 and 2004, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of Anderson Township, Hamilton County, as of December 31, 2005 and 2004, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the year ended December 31, 2005 and 2004. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



**Betty Montgomery**  
Auditor of State

November 17, 2006



**ANDERSON 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>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Local Taxes	\$96,106	\$8,587,399	\$0	\$0	\$8,683,505
Intergovernmental	2,050,634	1,578,360	0	1,186,512	4,815,506
Special Assessments	0	95,319	0	0	95,319
Charges for Services	0	679,105	0	0	679,105
Licenses, Permits, and Fees	615,269	68,130	0	0	683,399
Fines, Forfeitures, and Penalties	34,588	0	0	0	34,588
Earnings on Investments	879,583	0	602	0	880,185
Payment in lieu of Taxes	0	0	0	5,960,179	5,960,179
Other Revenue	108,598	52,866	16,606	0	178,070
	<u>3,784,778</u>	<u>11,061,179</u>	<u>17,208</u>	<u>7,146,691</u>	<u>22,009,856</u>
<b>Total Cash Receipts</b>					
<b>Cash Disbursements:</b>					
Current:					
General Government	2,131,731	478,856	0	0	2,610,587
Public Safety	22,490	8,357,255	0	0	8,379,745
Public Works	68,315	1,704,783	0	0	1,773,098
Health	88,637	0	0	0	88,637
Conservation - Recreation	1,030	194,202	0	0	195,232
Debt Service:					
Redemption of Principal	0	144,482	12,833	0	157,315
Interest and Fiscal Charges	0	71,837	2,567	0	74,404
Capital Outlay	10,386	436,487	0	8,385,404	8,832,277
	<u>2,322,589</u>	<u>11,387,902</u>	<u>15,400</u>	<u>8,385,404</u>	<u>22,111,295</u>
<b>Total Cash Disbursements</b>					
Total Receipts Over/(Under) Disbursements	<u>1,462,189</u>	<u>(326,723)</u>	<u>1,808</u>	<u>(1,238,713)</u>	<u>(101,439)</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Assets	0	45,500	0	0	45,500
Sale of Notes	0	0	0	69,947	69,947
Transfers-In	0	410,806	15,000	0	425,806
Transfers-Out	(369,035)	(56,771)	0	0	(425,806)
Other Uses	(10,258)	0	0	0	(10,258)
	<u>(379,293)</u>	<u>399,535</u>	<u>15,000</u>	<u>69,947</u>	<u>105,189</u>
<b>Total Other Financing Receipts/(Disbursements)</b>					
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,082,896	72,812	16,808	(1,168,766)	3,750
Fund Cash Balances, January 1	12,244,360	8,502,320	138,405	7,681,332	28,566,417
<b>Fund Cash Balances, December 31</b>	<u><b>\$13,327,256</b></u>	<u><b>\$8,575,132</b></u>	<u><b>\$155,213</b></u>	<u><b>\$6,512,566</b></u>	<u><b>\$28,570,167</b></u>
Reserve for Encumbrances, December 31	<u>\$437,809</u>	<u>\$810,382</u>	<u>\$0</u>	<u>\$2,836,991</u>	<u>\$4,085,182</u>

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

**ANDERSON 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>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Local Taxes	\$96,933	\$8,715,334	\$0	\$0	\$8,812,267
Intergovernmental	2,353,301	1,652,312	0	712,517	4,718,130
Special Assessments	0	92,618	0	0	92,618
Charges for Services	0	620,132	0	0	620,132
Licenses, Permits, and Fees	429,984	54,847	0	0	484,831
Fines, Forfeitures, and Penalties	40,649	0	0	0	40,649
Earnings on Investments	360,524	0	602	0	361,126
Payment in lieu of Taxes	0	0	0	5,727,368	5,727,368
Other Revenue	250,316	156,298	13,996	0	420,610
	<u>3,531,707</u>	<u>11,291,541</u>	<u>14,598</u>	<u>6,439,885</u>	<u>21,277,731</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	1,832,437	489,128	0	0	2,321,565
Public Safety	1,059	7,582,147	0	0	7,583,206
Public Works	60,111	2,539,825	0	0	2,599,936
Health	85,513	0	0	0	85,513
Conservation - Recreation	169	510,004	0	0	510,173
Miscellaneous	0	0	0	3,327,413	3,327,413
Debt Service:					
Redemption of Principal	0	52,798	12,833	0	65,631
Interest and Fiscal Charges	0	17,784	3,330	0	21,114
Capital Outlay	28,363	332,937	0	2,921,791	3,283,091
	<u>2,007,652</u>	<u>11,524,623</u>	<u>16,163</u>	<u>6,249,204</u>	<u>19,797,642</u>
Total Receipts Over/(Under) Disbursements	<u>1,524,055</u>	<u>(233,082)</u>	<u>(1,565)</u>	<u>190,681</u>	<u>1,480,089</u>
<b>Other Financing Receipts and (Disbursements):</b>					
Proceeds from Sale of Public Debt:					
Sale of Assets	0	139,000	0	0	139,000
Sale of Notes	0	0	0	1,101,872	1,101,872
Transfers-In	0	400,000	15,540	0	415,540
Transfers-Out	(415,540)	0	0	0	(415,540)
	<u>(415,540)</u>	<u>539,000</u>	<u>15,540</u>	<u>1,101,872</u>	<u>1,240,872</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,108,515	305,918	13,975	1,292,553	2,720,961
Fund Cash Balances, January 1	<u>11,135,845</u>	<u>8,196,402</u>	<u>124,430</u>	<u>6,388,779</u>	<u>25,845,456</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$12,244,360</b></u>	<u><b>\$8,502,320</b></u>	<u><b>\$138,405</b></u>	<u><b>\$7,681,332</b></u>	<u><b>\$28,566,417</b></u>
Reserve for Encumbrances, December 31	<u>\$468,407</u>	<u>\$764,746</u>	<u>\$0</u>	<u>\$2,872,544</u>	<u>\$4,105,697</u>

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

**ANDERSON 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 Anderson 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 Hamilton County Sheriff's Office to provide police 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 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 and U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**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.

**2. Special Revenue Funds**

These funds 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:

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Fire District Fund - This fund receives tax money for operating expenses incurred by the Township's fire department.

**3. Debt Service Fund**

This fund account for resources the Township accumulates to pay bond and note debt. The Township had the following significant Debt Service Fund:

General Bond/Note Retirement Fund - This fund is subsidized by the General Fund for the retirement of debt.

**4. Capital Project Fund**

This fund accounts for receipts restricted to acquiring or constructing major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

TIF Fund – This fund receives money in lieu of taxes for improvements to certain parcels of land.

**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 and function 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 reappropriated.

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

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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:

	2005	2004
Demand deposits	\$8,741,317	\$4,092,687
Certificates of deposit	3,420,700	3,420,700
Total deposits	12,162,017	7,513,387
State & Local Government Securities	10,984	10,984
U.S. Treasury Notes	6,349,058	6,298,049
STAR Ohio	10,048,108	14,743,997
Total investments	16,408,150	21,053,030
Total deposits and investments	\$28,570,167	\$28,566,417

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

**Investments:** The Federal Reserve holds the Township's U.S. Treasury Notes in book-entry form in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities.

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

SLG Safe's trust department holds the Township's equity securities in book entry form in the Township's name.

**ANDERSON 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	\$2,852,400	\$3,784,778	\$932,378
Special Revenue	12,210,567	11,517,485	(693,082)
Debt Service	15,000	32,208	17,208
Capital Projects	6,201,000	7,216,638	1,015,638
Total	<u>\$21,278,967</u>	<u>\$22,551,109</u>	<u>\$1,272,142</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,817,642	\$3,139,691	\$677,951
Special Revenue	14,394,527	12,255,055	2,139,472
Debt Service	15,751	15,400	351
Capital Projects	12,965,544	11,222,395	1,743,149
Total	<u>\$31,193,464</u>	<u>\$26,632,541</u>	<u>\$4,560,923</u>

2004 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$2,641,390	\$3,531,707	\$890,317
Special Revenue	12,331,401	11,830,541	(500,860)
Debt Service	16,500	30,138	13,638
Capital Projects	6,190,400	7,541,757	1,351,357
Total	<u>\$21,179,691</u>	<u>\$22,934,143</u>	<u>\$1,754,452</u>

2004 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$3,659,820	\$2,891,599	\$768,221
Special Revenue	15,760,162	12,289,369	3,470,793
Debt Service	16,457	16,163	294
Capital Projects	12,032,212	9,121,748	2,910,464
Total	<u>\$31,468,651</u>	<u>\$24,318,879</u>	<u>\$7,149,772</u>

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**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:

	<u>Principal</u>	<u>Interest Rate</u>
Assessment Limited Tax Bonds	\$25,666	5.5%
OPWC - Forrest	498,706	3.0%
OPWC - Ayershire/Wilshire/Sunray	558,226	3.0%
OPWC - Sherman/Coolidge/Brooke/Shirmer	763,203	3.0%
OPWC - Collinspark	671,641	3.0%
Total	<u>\$2,517,442</u>	

The Township issued Assessment Limited Tax Bonds on September 30, 1997, for \$128,327 for the improvement of Lawyer's Pointe Drive. Interest and principal payments are due semiannually to Firstar Bank. The bonds are collateralized by the Township taxing authority.

The Township was awarded \$730,202 by the Ohio Public Works Commission on July 1, 2001, for the Forrest Park Subdivision street improvements project in the form of a loan. The loan will be repaid in semi-annual payments of \$35,291 on January 1 and July 1 of each year for 10 years. The final payment is due on January 1, 2014. The loan is collateralized by township tax revenue.

The Township was awarded \$583,458 by the Ohio Public Works Commission on July 1, 2001, for the Ayershire/Wilshire/Sunray street reconstruction project in the form of a loan. The loan will be repaid in semi-annual payments of \$33,984 on January 1 and July 1 of each year for 10 years. The final payment is due on July 1, 2015. The loan is collateralized by township tax revenue. The loan is collateralized by township tax revenue.

The Township was awarded \$797,700 by the Ohio Public Works Commission on July 1, 2002, for the Sherman/Coolidge/Brooke/ Shirmer storm sewer detention and paving project in the form of a loan. The loan will be repaid in semi-annual payments of \$46,463 on January 1 and July 1 of each year for 10 years. The final payment is due on July 1, 2015. The loan is collateralized by township tax revenue.

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**5. DEBT (Continued)**

The Township was awarded \$702,000 by the Ohio Public Works Commission on November 1, 2002 for the Collinsdale drive reconstruction project in the form of a loan. The loan will be repaid in semi-annual payments of \$40,889 on January 1 and July 1 of each year for 10 years. The final payment is due on July 1, 2015. The loan is collateralized by township tax revenue.

The Township received loans from Ohio Public Works Commission for various street improvements. Interest and principal payments are due semiannually.

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

Year ending December 31:	Assessment		
	Limited Tax Bonds	Forrest Park OPWC Loan	Ayershire OPWC Loan
2006	\$14,244	\$35,291	\$33,984
2007	13,539	70,582	67,968
2008		70,582	67,968
2009		70,582	67,968
2010		70,582	67,968
2011 – 2015		247,037	339,839
Total	<u>\$27,783</u>	<u>\$564,656</u>	<u>\$645,695</u>

  

Year ending December 31:	Sherman	Collinsdale	Total
	OPWC Loan	OPWC Loan	
2006	\$46,463	\$40,889	\$170,871
2007	92,925	81,777	326,791
2008	92,925	81,777	313,252
2009	92,925	81,777	313,252
2010	92,925	81,777	313,252
2011 – 2015	464,627	408,885	1,460,388
Total	<u>\$882,790</u>	<u>\$776,882</u>	<u>\$2,897,806</u>

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the 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, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.



**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**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.

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. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

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.

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**7. RISK MANAGEMENT (Continued)**

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 contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and 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.

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	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

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

The Casualty Coverage assets and retained earnings above 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. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$208,648.

**8. SUBSEQUENT EVENTS**

The Township issued notes in 2006 for the following amounts and purposes:

- \$22,234,000 for the costs of constructing a new township administrative center and related Anderson Lake, furnishing and equipping.
- \$871,000 for the costs of improving Beechmont Avenue.
- \$3,215,000 for the costs of constructing Five Mile Trail and connecting trails.
- \$1,895,000 for the costs of acquiring motor vehicles and other transportation equipment.
- \$50,000 for the costs of constructing a section of the Ohio River Trail.

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

**8. SUBSEQUENT EVENTS**

- \$2,050,000 for the costs of improving vehicular transportation system in the township.

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Anderson Township  
Hamilton County  
7954 Beechmont Avenue  
Cincinnati, Ohio 45255

To the Board of Trustees:

We have audited the financial statements of Anderson 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 November 17, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We also noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial payroll transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting 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 a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. 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. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

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 matters in the internal control that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated November 17, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

### 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards*, which are described in the accompanying schedule of findings as item 2005-001. In a separate letter to the Township's management dated November 17, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.



**Betty Montgomery**  
Auditor of State

November 17, 2006

**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2005-001**

**Noncompliance Citation/Reportable Condition**

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.

Ohio Public Works Commission (OPWC) monies in the form of both grants and loans for four projects were paid to contractors by OPWC on behalf of the Township totaling \$511,590 and \$1,101,872, in 2005 and 2004 respectively that the Township recorded and budgeted in the Road and Bridge Special Revenue fund. This activity should have been accounted for in a capital project funds; however the Township failed to establish the funds as required by Ohio law. The accompanying financial statements have been adjusted to reflect the receipt and disbursement of this money in the appropriate funds.

We recommend the Township establish and budget monies spent on behalf of the Township in the correct funds. Guidance on the accounting treatment for these types of transactions is set forth in the Auditor of State Bulletin 2002-004.

**Officials' Response:**

We did not receive a response from Officials to this finding.

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**ANDERSON TOWNSHIP  
HAMILTON COUNTY**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2003-001	ORC 5705.41(B) expenditures exceeding appropriations	No	Reissued as Finding Number 2005-001
2003-002	ORC Section 5705.39 appropriations exceeding estimated revenue	Yes	





**Auditor of State  
Betty Montgomery**

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**ANDERSON 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  
JANUARY 2, 2007**