

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2005**



Mary Taylor, CPA
Auditor of State

Board of Trustees
Miami Township
2700 Lyons Road
Miamisburg, Ohio 45342

We have reviewed the *Independent Auditors' Report* of Miami Township, Montgomery County, prepared by Bastin & Company, LLC, for the audit period January 1, 2005 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Miami Township is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

August 27, 2007

This Page is Intentionally Left Blank.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements	
Government-wide Financial Statements - Fiscal Year 2005:	
Statement of Net Assets – Modified Cash Basis	10
Statement of Activities – Modified Cash Basis.....	11
Fund Financial Statements - Fiscal Year 2005:	
Statement of Modified Cash Basis Assets and Fund Balance – Governmental Funds.....	12
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities	13
Statement of Cash Receipts, Disbursements, and Changes in Modified Cash Basis Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	15
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – General Fund.....	16
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Police Fund	17
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Fire/EMS Fund.....	18
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Road and Bridge Fund	19
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Trash Fund	20
Statement of Receipts, Disbursements, and Changes in Fund Balance – Budget and Actual – Budget Basis – Administration Building Fund	21
Statement of Fiduciary Net Assets – Modified Cash Basis.....	22
Statement of Changes in Fiduciary Net Assets – Modified Cash Basis	23
Notes to the Financial Statements	24
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36
Schedule of Findings.....	38
Schedule of Prior Year Findings.....	41

This Page is Intentionally Left Blank.

Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Miami Township, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami Township (the Township), Montgomery County, Ohio as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Township, Montgomery County, Ohio as of December 31, 2005 and the respective changes in modified cash financial position and the respective budgetary comparisons for the General, Police, Fire/EMS, Road and Bridge, Trash and Administration Building Funds for the year then ended in conformity with the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Bastin & Company, LLC". The signature is written in a cursive, flowing style.

Cincinnati, Ohio
June 29, 2007

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

This discussion and analysis of Miami Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's modified cash basis of accounting. The intent of this discussion and analysis is to look at the Township's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2005 are as follows:

- Net assets of governmental activities decreased by \$45,465, or 0.3 percent.
- Net assets of the General Fund decreased by \$2,082,672, largely do to transferring \$1,850,000 to the Administration Building Fund to fund construction costs.
- The net assets of the Administration Building Fund had a net increase of \$1,492,885 reflecting the receipt of the transfer along with the interim nature of construction and the interim nature of drawing down funds from the financing lease agreement.
- The Police Fund experienced a decrease of \$215,421 largely due to increase capital outlay expenditures.
- The Fire/EMS Fund experienced an increase of \$334,703 due to increased EMS charges.
- The Road and Bridge Fund has a net increase of \$382,681 as revenues continued to exceed expenditures for related projects.
- The Trash Fund experienced a net decrease of \$66,987 as a result of higher operating expenditures for trash collection.

The Township's general receipts are primarily property taxes and intergovernmental receipts. These receipts represent respectively 57 and 22 percent of the total cash received for governmental activities during the year.

Work with surrounding jurisdictions on the Austin Interchange continued throughout 2005.

The Township received grants and contributions in 2005 totaling \$208,396. One grant for \$172,800 was for the purchase of a self-contained breathing apparatus for the fire department.

During 2005, the construction of the Township's new Administration Building began with financing obtained through the issuance of a \$3.1 million capital lease. Occupancy is scheduled for 2006.

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Using the Basic Financial Statements

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

Report Components

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

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

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

Basis of Accounting

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

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

Reporting the Township as a Whole

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

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

evaluating the Township's financial condition, you should also consider other non-financial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we divide the Township into two types of activities:

Governmental activities. Most of the Township's basic services are reported here, including police, fire, streets and parks. Intergovernmental receipts and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Business-type activities. Business-type activities are financed by a fee charged to the customers receiving the service. The Township has no business-type activities.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds - not the Township as a whole.

The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted for a specific use, is being spent for the intended purpose. The funds of the Township are split into three categories: governmental, proprietary and fiduciary.

Governmental Funds - Most of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's reports the General, Police, Fire/EMS, Road and Bridge, Trash and Administration Building Funds as major governmental funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

Proprietary Funds – When the Township charges customers for the services it provides, these services are generally reported in proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. When the services are provided to other departments of the Township, the service is reported as an internal service fund. The Township has no enterprise or internal service funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources of these funds are not available to support the Township's programs. The Township has one fiduciary fund, a park owned by another Government entity. The Township maintains the park as required in the agreement.

Miami Township, Montgomery County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2005
 Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2005 compared to 2004 on a modified cash basis:

(Table 1)
Net Assets

	Governmental Activities	
	2005	2004
Assets		
Cash and Cash Equivalents	\$ 12,166,650	\$ 12,212,115
Total Assets	\$ 12,166,650	\$ 12,212,115
Net Assets		
Restricted for:		
Capital Projects	\$ 1,539,434	\$ 40,317
Other Purposes	9,492,501	8,954,411
Unrestricted	1,134,715	3,217,387
Total Net Assets	\$ 12,166,650	\$ 12,212,115

As mentioned previously, net assets of governmental activities decreased by \$45,465 during 2005. On an overall basis;

- Expenditures increased by \$3,244,976 from 2004 due to higher operating costs and additional capital costs attributable to the construction of the administration building. All major funds saw an increase in operating expenditures during 2005.
- While expenditures increased as explained above, the increase in expenditures was offset by increases in receipts during 2005 and from the proceeds of the capital lease agreement used to fund the construction of the administration building.

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Table 2 reflects the changes in net assets for 2005 compared to 2004 on a modified cash basis.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2005	2004
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,006,320	\$ 804,724
Operating Grants and Contributions	28,196	40,373
Capital Grants and Contributions	180,200	141,000
Total Program Receipts	<u>1,214,716</u>	<u>986,097</u>
General Receipts:		
Property and Other Local Taxes	9,454,213	9,237,944
Grants and Entitlements not Restricted to Specific Programs	3,715,732	3,442,368
Proceeds from Capital Lease	1,851,826	70,929
Interest	33,099	15,708
Miscellaneous	279,170	166,014
Total General Receipts	<u>15,334,040</u>	<u>12,932,963</u>
Total Receipts	<u>16,548,756</u>	<u>13,919,060</u>
Disbursements:		
General Government	1,344,352	1,223,961
Public Safety	8,461,634	8,060,918
Public Works	1,059,070	972,283
Health	1,429,276	1,297,389
Conservation & Recreation	240,771	230,993
Other	165,468	21,560
Capital Outlay	3,792,583	1,542,141
Debt Service:		
Principal Retirement	23,240	-
Interest and Fiscal Charges	77,827	-
Total Disbursements	<u>16,594,221</u>	<u>13,349,245</u>
Increase (Decrease) in Net Assets	(45,465)	569,815
Net Assets, January 1	12,212,115	11,642,300
Net Assets, December 31	<u>\$ 12,166,650</u>	<u>\$ 12,212,115</u>

Program receipts represent only 7 percent of total receipts and are primarily comprised of charges for services for EMS services and grants for capital items.

General receipts represent 93 percent of the Township's total receipts, and of this amount, approximately 62 percent are property taxes. Local government funds, hotel/motel occupancy tax, inheritance tax, miscellaneous receipts, capital lease proceeds and interest income make up the balance of the Township's general receipts.

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the board of trustees, the administrator's office, finance, human resources, and planning and zoning. Since these costs do not represent direct services to residents, the Township tries to limit these costs to 10 percent of unrestricted receipts.

Public Safety is the costs of police, fire and EMS protection; Public Works is the costs of road maintenance, building maintenance, and vehicle maintenance; Health is the cost of trash collection and disposal and Conservation-Recreation is the costs of maintaining the parks.

Governmental Activities

If you look at the Statement of Activities for 2005 you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for public safety, capital outlay and health, which account for 51, 23 and 9 percent of all governmental disbursements, respectively. General government also represents a significant cost of about 8 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3 for 2005.

(Table 3)

Governmental Activities

	Total Cost of Services 2005	Net Cost of Services 2005
	<u>2005</u>	<u>2005</u>
General Government	\$ 1,344,352	\$ 1,285,043
Public Safety	8,461,634	7,672,208
Public Works	1,059,070	1,030,874
Health	1,429,276	1,429,276
Conservation & Recreation	240,771	240,771
Other	165,468	165,468
Capital Outlay	3,792,583	3,454,798
Debt Service:		
Principal Retirement	23,240	23,240
Interest and Fiscal Charges	77,827	77,827
Total Expenses	<u><u>\$ 16,594,221</u></u>	<u><u>\$ 15,379,505</u></u>

The dependence upon general receipts is apparent as they support 93 percent of all governmental activities.

Miami Township, Montgomery County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2005
Unaudited

The Township's Funds

Total governmental funds had receipts (excluding transfers between funds) of \$13,919,060 and \$16,548,756 for 2004 and 2005 respectively. Disbursements (excluding transfers between funds) were \$13,349,245 and \$16,594,221.

The greatest change within governmental funds occurred within the General Fund and the Administration Building Fund. During 2005 the General Fund transferred \$1,850,000 to the Administration Building Fund to assist with construction costs.

Debt

During 2004, the Township entered into a \$70,929 capital lease for Fire and EMS communication equipment. The term of the lease is for three years and requires semi-annual payments of \$12,533.

During 2005, the Township entered into a \$3,118,000 capital lease for the construction of the administration building. The term of the lease is for thirty-years with annual payments of approximately \$189,000. Additional information on the Township's debt can be found in Note 5 to the financial statements

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited funding. We rely heavily on property taxes so it is imperative that we continue to enhance our property tax base while maintaining an attractive mix of residential, retail, commercial, and green space property.

The Township is currently working in partnership with other local governments to enhance the area's tax base. The Austin Interchange is a joint project involving two other communities and involves the development of an interchange at Austin Pike and Interstate 75. The economic development possibilities are endless and include office and commercial space, hospitality and convention space, as well as some retail space to serve the needs of workers and travelers.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Judy A. Osborne, Fiscal Officer, Miami Township, 2700 Lyons Rd., Miamisburg, Ohio 45342.

Miami Township
Montgomery County
Statement of Net Assets - Modified Cash Basis
December 31, 2005

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 12,166,650
<i>Total Assets</i>	<u>\$ 12,166,650</u>
Net Assets	
Restricted for:	
Capital Projects	\$ 1,539,434
Other Purposes	9,492,501
Unrestricted	<u>1,134,715</u>
<i>Total Net Assets</i>	<u>\$ 12,166,650</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2005

	Program Cash Receipts				Net (Disbursements) Receipts and Changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General Government	\$ 1,344,352	\$ 59,309	\$ -	\$ -	\$ (1,285,043)
Public Safety	8,461,634	789,426	-	-	(7,672,208)
Public Works	1,059,070	-	28,196	-	(1,030,874)
Health	1,429,276	-	-	-	(1,429,276)
Conservation-Recreation	240,771	-	-	-	(240,771)
Other	165,468	-	-	-	(165,468)
Capital Outlay	3,792,583	157,585	-	180,200	(3,454,798)
Debt Service:					
Principal Retirement	23,240	-	-	-	(23,240)
Interest and Fiscal Charges	77,827	-	-	-	(77,827)
<i>Total Governmental Activities</i>	<u>\$ 16,594,221</u>	<u>\$ 1,006,320</u>	<u>\$ 28,196</u>	<u>\$ 180,200</u>	<u>(15,379,505)</u>
General Receipts					
Property Taxes Levied for:					
					167,241
					3,566,802
					3,372,367
					1,250,198
					1,097,605
					3,715,732
					1,851,826
					33,099
					279,170
<i>Total General Receipts</i>					<u>15,334,040</u>
Change in Net Assets					(45,465)
<i>Net Assets Beginning of Year</i>					<u>12,212,115</u>
<i>Net Assets End of Year</i>					<u>\$ 12,166,650</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County
Statement of Modified Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Police	Fire/EMS	Road and Bridge	Trash	Administration Building	Other Governmental Funds	Total Governmental Funds
Assets								
Equity in Pooled Cash and Cash Equivalents	\$ 1,134,715	\$ 3,268,112	\$ 2,562,219	\$ 2,578,142	\$ 632,987	\$ 1,492,885	\$ 497,590	\$ 12,166,650
<i>Total Assets</i>	<u>\$ 1,134,715</u>	<u>\$ 3,268,112</u>	<u>\$ 2,562,219</u>	<u>\$ 2,578,142</u>	<u>\$ 632,987</u>	<u>\$ 1,492,885</u>	<u>\$ 497,590</u>	<u>\$ 12,166,650</u>
Fund Balances								
Reserved:	\$ 88,978	\$ 303,465	\$ 130,477	\$ 90,516	\$ -	\$ 1,485,371	\$ -	\$ 2,098,807
Unreserved:								
Undesignated, Reported in:								
General Fund	1,045,737	-	-	-	-	-	-	1,045,737
Special Revenue Funds	-	2,964,647	2,431,742	2,487,626	632,987	-	451,041	8,968,043
Capital Projects Funds	-	-	-	-	-	7,514	46,549	54,063
<i>Total Fund Balances</i>	<u>\$ 1,134,715</u>	<u>\$ 3,268,112</u>	<u>\$ 2,562,219</u>	<u>\$ 2,578,142</u>	<u>\$ 632,987</u>	<u>\$ 1,492,885</u>	<u>\$ 497,590</u>	<u>\$ 12,166,650</u>

See accompanying notes to the basic financial statements

Miami Township
*Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2005*

Total Governmental Fund Balances	<u>\$ 12,166,650</u>
<i>Net Assets of Governmental Activities</i>	<u>\$ 12,166,650</u>

See accompanying notes to the basic financial statements

Montgomery County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2005

	General	Police	Fire/EMS	Road and Bridge	Trash	Administration Building	Other Governmental Funds	Total Governmental Funds
Receipts								
Property and Other Local Taxes	\$ 167,241	\$3,566,802	\$3,372,367	\$1,250,198	\$1,097,605	\$ -	\$ -	\$ 9,454,213
Charges for Services	-	23,259	746,427	-	-	-	-	769,686
Licenses, Permits and Fees	32,359	321	180	-	-	-	13,809	46,669
Fines and Forfeitures	26,950	1,596	-	-	-	-	3,834	32,380
Intergovernmental	1,227,966	858,531	987,538	304,717	264,684	-	280,692	3,924,128
Special Assessments	47,042	-	-	-	-	-	110,543	157,585
Interest	23,471	-	-	-	-	-	9,628	33,099
Other	153,670	10,250	39,237	17,527	-	-	50,058	270,742
<i>Total Receipts</i>	<u>1,678,699</u>	<u>4,460,759</u>	<u>5,145,749</u>	<u>1,572,442</u>	<u>1,362,289</u>	<u>-</u>	<u>468,564</u>	<u>14,688,502</u>
Disbursements								
Current:								
General Government	1,344,352	-	-	-	-	-	-	1,344,352
Public Safety	-	4,097,572	4,364,062	-	-	-	-	8,461,634
Public Works	-	-	-	1,038,487	-	-	20,583	1,059,070
Health	-	-	-	-	1,429,276	-	-	1,429,276
Conservation-Recreation	240,771	-	-	-	-	-	-	240,771
Other	-	-	-	-	-	-	165,468	165,468
Capital Outlay	153,746	585,996	422,959	151,274	-	2,208,941	269,667	3,792,583
Debt Service:								
Principal	-	-	23,240	-	-	-	-	23,240
Interest and Fiscal Charges	76,002	-	1,825	-	-	-	-	77,827
<i>Total Disbursements</i>	<u>1,814,871</u>	<u>4,683,568</u>	<u>4,812,086</u>	<u>1,189,761</u>	<u>1,429,276</u>	<u>2,208,941</u>	<u>455,718</u>	<u>16,594,221</u>
<i>Excess of Receipts Over (Under)</i> <i>Disbursements</i>	<u>(136,172)</u>	<u>(222,809)</u>	<u>333,663</u>	<u>382,681</u>	<u>(66,987)</u>	<u>(2,208,941)</u>	<u>12,846</u>	<u>(1,905,719)</u>
Other Financing Sources (Uses)								
Proceeds from Capital Leases	-	-	-	-	-	1,851,826	-	1,851,826
Transfers In	-	-	-	-	-	1,850,000	96,500	1,946,500
Transfers Out	(1,946,500)	-	-	-	-	-	-	(1,946,500)
Other Financing Sources	-	7,388	1,040	-	-	-	-	8,428
<i>Total Other Financing Sources (Uses)</i>	<u>(1,946,500)</u>	<u>7,388</u>	<u>1,040</u>	<u>-</u>	<u>-</u>	<u>3,701,826</u>	<u>96,500</u>	<u>1,860,254</u>
<i>Net Change in Fund Balances</i>	<u>(2,082,672)</u>	<u>(215,421)</u>	<u>334,703</u>	<u>382,681</u>	<u>(66,987)</u>	<u>1,492,885</u>	<u>109,346</u>	<u>(45,465)</u>
<i>Fund Balances Beginning of Year</i>	<u>3,217,387</u>	<u>3,483,533</u>	<u>2,227,516</u>	<u>2,195,461</u>	<u>699,974</u>	<u>-</u>	<u>388,244</u>	<u>12,212,115</u>
<i>Fund Balances End of Year</i>	<u>\$1,134,715</u>	<u>\$3,268,112</u>	<u>\$2,562,219</u>	<u>\$2,578,142</u>	<u>\$ 632,987</u>	<u>\$ 1,492,885</u>	<u>\$ 497,590</u>	<u>\$12,166,650</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2005*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ (45,465)</u>
<i>Change in Net Assets of Governmental Activities</i>	<u>\$ (45,465)</u>

See accompanying notes to the basic financial statements

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

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 193,084	\$ 193,084	\$ 167,241	\$ (25,843)
Licenses, Permits and Fees	77,634	42,960	32,359	(10,601)
Fines and Forfeitures	64,695	35,800	26,950	(8,850)
Intergovernmental	1,086,523	1,086,523	1,227,966	141,443
Special Assessments	113,046	62,557	47,042	(15,515)
Interest	56,523	31,278	23,471	(7,807)
Other	369,102	204,252	153,670	(50,582)
<i>Total receipts</i>	<u>1,960,607</u>	<u>1,656,454</u>	<u>1,678,699</u>	<u>22,245</u>
Disbursements				
Current:				
General Government	1,358,335	1,780,835	1,423,330	357,505
Conservation-Recreation	268,153	268,153	240,771	27,382
Capital Outlay	245,222	245,222	163,746	81,476
Debt Service:				
Principal	58,000	58,000	-	58,000
Interest and Fiscal Charges	132,000	132,000	76,002	55,998
<i>Total Disbursements</i>	<u>2,061,710</u>	<u>2,484,210</u>	<u>1,903,849</u>	<u>580,361</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(101,103)	(827,756)	(225,150)	602,606
Other Financing Sources (Uses)				
Transfers Out	-	(1,946,500)	(1,946,500)	-
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>(1,946,500)</u>	<u>(1,946,500)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	(101,103)	(2,774,256)	(2,171,650)	602,606
<i>Fund Balance Beginning of Year</i>	3,055,677	3,055,677	3,055,677	-
Prior Year Encumbrances Appropriated	161,710	161,710	161,710	-
<i>Fund Balance End of Year</i>	<u>\$ 3,116,284</u>	<u>\$ 443,131</u>	<u>\$ 1,045,737</u>	<u>\$ 602,606</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 3,346,318	\$ 3,346,318	\$ 3,566,802	\$ 220,484
Charges for Services	42,753	42,753	23,259	(19,494)
Liscenses, Permits and Fees	590	590	321	(269)
Fines and Forfeitures	2,934	2,934	1,596	(1,338)
Intergovernmental	835,000	835,000	858,531	23,531
Other	18,840	18,840	10,250	(8,590)
<i>Total receipts</i>	<u>4,246,435</u>	<u>4,246,435</u>	<u>4,460,759</u>	<u>214,324</u>
Disbursements				
Current:				
Public Safety	4,525,593	4,575,399	4,134,941	440,458
Capital Outlay	580,191	951,836	852,092	99,744
<i>Total Disbursements</i>	<u>5,105,784</u>	<u>5,527,235</u>	<u>4,987,033</u>	<u>540,202</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(859,349)</u>	<u>(1,280,800)</u>	<u>(526,274)</u>	<u>754,526</u>
Other Financing Sources (Uses)				
Other Financing Sources	-	-	7,388	7,388
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>7,388</u>	<u>7,388</u>
<i>Net Change in Fund Balance</i>	(859,349)	(1,280,800)	(518,886)	761,914
<i>Fund Balance Beginning of Year</i>	3,277,749	3,277,749	3,277,749	-
Prior Year Encumbrances Appropriated	205,784	205,784	205,784	-
<i>Fund Balance End of Year</i>	<u>\$ 2,624,184</u>	<u>\$ 2,202,733</u>	<u>\$ 2,964,647</u>	<u>\$ 761,914</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire/EMS Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$2,986,469	\$2,986,469	\$3,372,367	\$385,898
Charges for Services	2,239	732,239	746,427	14,188
Licenses, Permits and Fees	180	180	180	-
Intergovernmental	983,000	983,000	987,538	4,538
Other	68,184	68,184	39,237	(28,947)
<i>Total receipts</i>	<u>4,040,072</u>	<u>4,770,072</u>	<u>5,145,749</u>	<u>375,677</u>
Disbursements				
Current:				
Public Safety	4,662,235	4,687,235	4,435,532	251,703
Capital Outlay	492,726	492,726	481,966	10,760
Debt Service:				
Principal	23,240	23,240	23,240	-
Interest and Fiscal Charges	1,825	1,825	1,825	-
<i>Total Disbursements</i>	<u>5,180,026</u>	<u>5,205,026</u>	<u>4,942,563</u>	<u>262,463</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,139,954)</u>	<u>(434,954)</u>	<u>203,186</u>	<u>638,140</u>
Other Financing Sources (Uses)				
Other Financing Sources	-	-	1,040	1,040
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>1,040</u>	<u>1,040</u>
<i>Net Change in Fund Balance</i>	(1,139,954)	(434,954)	204,226	639,180
<i>Fund Balance Beginning of Year</i>	2,101,490	2,101,490	2,101,490	-
Prior Year Encumbrances Appropriated	126,026	126,026	126,026	-
<i>Fund Balance End of Year</i>	<u>\$ 1,087,562</u>	<u>\$ 1,792,562</u>	<u>\$ 2,431,742</u>	<u>\$ 639,180</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Road and Bridge Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 1,168,820	\$ 1,168,820	\$ 1,250,198	\$ 81,378
Intergovernmental	304,717	304,717	304,717	-
Other	13,026	13,026	17,527	4,501
<i>Total receipts</i>	<u>1,486,563</u>	<u>1,486,563</u>	<u>1,572,442</u>	<u>85,879</u>
Disbursements				
Current:				
Public Works	1,137,055	1,137,055	1,092,805	44,250
Capital Outlay	399,808	399,808	187,472	212,336
<i>Total Disbursements</i>	<u>1,536,863</u>	<u>1,536,863</u>	<u>1,280,277</u>	<u>256,586</u>
<i>Net Change in Fund Balance</i>	(50,300)	(50,300)	292,165	342,465
<i>Fund Balance Beginning of Year</i>	2,158,598	2,158,598	2,158,598	-
Prior Year Encumbrances Appropriated	36,863	36,863	36,863	-
<i>Fund Balance End of Year</i>	<u>\$ 2,145,161</u>	<u>\$ 2,145,161</u>	<u>\$ 2,487,626</u>	<u>\$ 342,465</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Trash Fund
For the Year Ended December 31, 2005

	<u>Budgeted Amounts</u>			(Optional)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 1,022,763	\$ 1,022,763	\$ 1,097,605	\$ 74,842
Intergovernmental	264,684	264,684	264,684	-
<i>Total receipts</i>	<u>1,287,447</u>	<u>1,287,447</u>	<u>1,362,289</u>	<u>74,842</u>
Disbursements				
Current:				
Health	<u>1,403,982</u>	<u>1,503,982</u>	<u>1,429,276</u>	<u>74,706</u>
<i>Total Disbursements</i>	<u>1,403,982</u>	<u>1,503,982</u>	<u>1,429,276</u>	<u>74,706</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(116,535)	(216,535)	(66,987)	149,548
<i>Fund Balance Beginning of Year</i>	695,992	695,992	695,992	-
Prior Year Encumbrances Appropriated	<u>3,982</u>	<u>3,982</u>	<u>3,982</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 583,439</u>	<u>\$ 483,439</u>	<u>\$ 632,987</u>	<u>\$ 149,548</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual - Budget Basis
 Administration Building Fund
 For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	(Optional)
	<u>Original</u>	<u>Final</u>		Variance with Final Budget Positive (Negative)
Disbursements				
Capital Outlay	\$ -	\$ 3,700,000	\$ 3,694,312	\$ 5,688
<i>Total Disbursements</i>	<u>-</u>	<u>3,700,000</u>	<u>3,694,312</u>	<u>5,688</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	-	(3,700,000)	(3,694,312)	5,688
Other Financing Sources (Uses)				
Proceeds from Capital Lease	-	1,850,000	1,851,826	1,826
Transfers In	<u>-</u>	<u>1,850,000</u>	<u>1,850,000</u>	<u>-</u>
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>3,700,000</u>	<u>3,701,826</u>	<u>1,826</u>
<i>Net Change in Fund Balance</i>	-	-	7,514	7,514
<i>Fund Balance Beginning of Year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,514</u>	<u>\$ 7,514</u>

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
December 31, 2005

	Private Purpose Trust
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 170,548
<i>Total Assets</i>	\$ 170,548
 Net Assets	
Unrestricted	\$ 170,548

See accompanying notes to the basic financial statements

Miami Township, Montgomery County
Statement of Changes in Fiduciary Net Assets - Modified Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2005

	Private Purpose Trust
Additions	
Contributions	\$ 15,328
Interest	5,386
<i>Total Additions</i>	20,714
Deductions	
Payments in Accordance with Trust Agreements	1,491
<i>Total Deductions</i>	1,491
Change in Net Assets	19,223
Net Assets - Beginning of Year	151,325
Net Assets - End of Year	\$ 170,548

See accompanying notes to the basic financial statements

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Miami Township, Montgomery County, (the Township) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance, police protection, fire protection and emergency medical services.

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. 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:

Police and Fire/EMS Funds - These funds receive property tax money for operating and maintaining the police and fire departments and the purchase of equipment. EMS and MVA charges for services are also recorded within the Fire/EMS Fund.

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

Trash Fund - This fund receives property tax money to pay for the management, maintenance, and operation for the collection and disposal of garbage and refuse.

MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)

3. Capital Project Funds

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

Administration Building Fund – This fund accounts for all expenditures related to the construction of the administration building. Sources of funds are debt proceeds and transfers in from the General Fund.

4. Fiduciary Funds (Trust Funds)

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the Township to maintain corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds for which the Township is acting in an agency capacity are classified as agency funds. The Township had the following significant fiduciary fund:

Waldruhe Park Trust Fund – This fund receives donations and gifts for the operation and maintenance of Waldruhe Park.

D. Basis of Presentation

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

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the Township, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the Township at December 31, 2005. The statement of activities presents a comparison between direct expenditures and program revenues for each program of function of the Township's governmental activities. Program cash receipts include monies provided by the recipient of the services offered by the program, grants and contributions that are restricted to meeting the operations or capital requirements of particular program. Revenues that are not classified as program revenues are presented as general revenues of the Township, with certain limited exceptions. The comparison of direct expenditures with program revenues identifies the extent to which the governmental programs are self-financing or draw from the general revenues of the Township.

Fund Financial Statements The Township segregates transactions related to certain Township functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Fiduciary funds are reported by type.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

E. Cash and Investments

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.

Certificates of deposit, money market funds and U.S. government backed securities are valued at cost.

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.

H. 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 legal level of control which has been established at the fund, department and object level, 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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

I. Net Assets

The financial statements report restricted net assets when contributors, grantors, or other external factors impose limitations in their use.

J. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Inter-fund type eliminations have not been made in the aggregation of this data.

2. CHANGE IN ACCOUNTING PRINCIPLE

For calendar year, 2005, the Township has implemented GASB Statement No. 40 "Deposits and Investment Risk Disclosures". GASB 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

3. EQUITY IN POOLED CASH AND INVESTMENTS

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township's deposits may not be returned. Protection of Township's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Any public depository in which the Township places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. At year end the carrying amount of the Township's deposits was \$3,553,218 and the bank balance was \$4,045,460. FDIC covered \$500,000 of the bank balance and \$3,545,460 was uninsured. Of the remaining uninsured bank balance, the Township was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by The pledging financial institution's trust department	<u>\$3,545,460</u>

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

Investments

As of December 31, 2005, the Township had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1- 5</u>	<u>5+</u>
FHLB	\$ 524,785	\$ -	\$ 524,785	\$ -
FHLMC	394,535	-	45,323	349,212
FNMA	685,594	-	685,594	-
Money Market Fund	10,847	10,847	-	-
GNMA	<u>7,168,219</u>	<u>-</u>	<u>-</u>	<u>7,168,219</u>
Total investments	<u>\$8,783,980</u>	<u>\$ 10,847</u>	<u>\$1,255,702</u>	<u>\$7,517,431</u>

At December 31, 2005, the Township held \$7,517,431 in derivative securities. Such securities are not eligible investments for the Township under Ohio law. In addition, all these type of investments were instruments with maturity dates beyond 5 years in violation of the Ohio Revised Code and the Township's investment policies.

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The Township's investment policy addresses interest rate risk by requiring that the Township's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

Credit Risk – The money market fund carries a rating of Aaam by Moody's Investors Service. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk – The Township has no investment policy dealing with concentration of credit risk beyond the requirements in state statutes. At December 31, 2005, 82 percent of the Township's investments were GNMA.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the Township's name. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M) (2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

4. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by February 17. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following July 16.

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. CAPITAL LEASES

During 2004, the Township entered into a capital lease for Fire and EMS communication equipment in the amount of \$70,929. Amortization of the remaining lease, including interest is scheduled as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2006	\$25,066
2007	<u>12,532</u>
Total minimum lease payments	37,598
Less: amount representing interest	<u>1,239</u>
Present Value of future minimum lease payments	<u>\$36,359</u>

During 2005, the Township entered into a capital lease for the construction of an administration building in the amount of \$3,118,000 and drew down \$1,851,826 of the lease proceeds to pay for project related costs. Amortization of the remaining lease, including interest is scheduled as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2006	\$ 189,539
2007	188,799
2008	189,029
2009	189,108
2010	189,123
2011 - 2015	944,692
2016 - 2020	946,020
2021 - 2025	945,740
2026 - 2030	944,720
2031 - 2035	<u>945,910</u>
Total minimum lease payments	5,672,680
Less: amount representing interest	2,517,180
Less: amount representing fees	<u>37,500</u>
Present Value of future minimum lease payments	<u>\$3,118,000</u>

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

6. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

All full-time employees of the Township, excluding certified fire fighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contribution plus any investment earnings. The Combined Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS, provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits. The authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS, issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 800-222-7377.

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the Traditional Plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The employer contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the employer's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for employee and employer contributions.

The Township's required contributions to OPERS for the years ended December 31, 2005, 2004 and 2003 were \$621,398, \$586,630, and \$564,652, respectively. All of the required contributions were paid within the respective years.

Ohio Police and Fire Pension Fund

The Township's firefighters contribute to The Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. The Township's

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

contributions to the OP&F for the years ended December 31, 2005, 2004, and 2003 were \$404,439, \$388,190, and \$367,050, respectively. All of the required contributions were paid within the respective years.

7. POSTEMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to traditional or combined plans is set aside for the funding of post-retirement health care based on authority granted by State statute. During 2005, employers contributed at a rate of 13.55 percent of covered payroll (16.7 percent for law enforcement and public safety). The portion of employer contributions for all employers allocated to health care was 4.0 percent.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2005, included a rate of return on investments of 8 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 5 and 10 percent annually for the next eight years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 376,076. Actual employer contribution for 2005 which were used to fund post employment benefits were \$1.6 billion. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$65.2 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.05 billion and \$8.03 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

Ohio Police and Fire Pension Fund

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school, or under the age of 22 if attending school full-time or on a 2/3 basis.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in *GASB Statement No. 12*. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that health care costs paid from the funds of OP&F shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go basis.

The total employer contribution rate for firefighters is 24 percent of covered payroll, of which 7.75 percent of covered payroll was applied to the postemployment health care program during 2005 and 2004. In addition, since July 1, 1992, most retirees and survivors have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions.

The Township's actual contributions for 2005 that were used to fund postemployment benefits were \$130,634 for firefighters. The OP&F's total health care expense for the year ended December 31, 2004 (the latest information available) was \$102,173,796, which was net of member contributions of \$55,665,341. The number of OP&F participants eligible to receive health care benefits as of December 31, 2004, was 10,528 for firefighters.

8. RISK MANAGEMENT

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

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

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.

Member 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 premium. Also upon withdrawal, payments for all property and casualty claims 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.

9. FUND TRANSFERS

During 2005, the Township transferred \$1,850,000 from the General Fund to the Administration Building Fund and \$96,500 to the 175th Anniversary Fund (a non-major fund).

10. CONTINGENT LIABILITIES

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

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005
(continued)**

11. RELATED ORGANIZATIONS

Crains Run Water and Sewer District – The Crains Run Water and Sewer District is a district political subdivision of the State of Ohio created under Chapter 6119 of the Ohio Revised Code. A Board of Trustees appointed by the Miami Township Board of Trustees governs the District. The District possesses its own contracting and budgeting authority, hires and fires personnel, accounting function, and does not depend on the Township for operating subsidies.

12. RECLASSIFICATIONS

In prior years, the activities related to the billings and collections of the Township’s Emergency Medical and Motor Vehicle Accident Services were reported within a separate EMS Fund and included as an Other Governmental Fund. Beginning in 2005, the Township has reported these activities as part of the Fire/EMS Fund in order to report receipts within the fund that provides the services. As a result, amount previously reported as fund balances as of December 31, 2004 have been restated as follows:

<u>Fund Balance</u>	Fire/EMS <u>Fund</u>	Other Governmental <u>Funds</u>
Balance at December 31, 2004, as previous reported	\$ 1,194,351	\$1,421,409
Reclassification	<u>1,033,165</u>	<u>(1,033,165)</u>
Balance at December 31, 2004, restated	<u>\$2,227,516</u>	<u>\$ 388,244</u>

Bastin & Company, LLC

Certified Public Accountants

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Miami Township, Ohio

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami Township (the Township), Montgomery County, Ohio as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 29, 2007 wherein we noted that the Township's financial statements follow the modified cash accounting basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2005-01.

This report is intended solely for the information and use of management and the Township's 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 cursive script that reads "Bastin & Company, L L C". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 29, 2007

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
SCHEDULE OF FINDINGS
DECEMBER 31, 2005**

FINDING NUMBER 2005-01

Ohio Rev. Code Sections 135.14(B) (1) (2) and 135.14(C) allow that the treasurer or governing board may invest or deposit any part or all of the interim moneys in the following classifications of eligible obligations:

(B)(1) – United States treasury bills, notes, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.

(B)(2) – Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

R.C. 135.14(B) (1) also states:

Nothing in the classification of eligible obligations set forth in division (B)(1) of this section or in the classifications of eligible obligations set forth in division (B)(2) of this section shall be construed to authorize any investment in stripped principal or interest obligations of such eligible obligations.

Pursuant to Section 135.14(C), “[n]othing in the classifications of eligible obligations set forth in divisions (B) (1) to (7) of this section shall be construed to authorize any investment in a derivative, and no treasurer or governing board shall invest in a derivative. For purposes of this division, ‘derivative’ means a financial instrument or contract or obligation whose value or return is based upon or linked to another asset or index, or both, separate from the financial instrument, contract or obligation itself. Any security, obligation, trust account, or other instrument that is created from an issue of the United States treasury or is created from an obligation of a federal agency or instrumentality or is created from both is considered a derivative instrument. An eligible investment described in this section with a variable interest rate payment, based upon a single interest payment or single index comprised of other eligible investments provided for in division (B)(1) or (2) of this section, is not a derivative, provided that such variable rate investment has a maximum maturity of two years.”

Additionally, OAG Opinion 99-026 states, “[a] n examination of the nature and characteristics of mortgage-backed pass-through securities issued by federal government agencies and instrumentalities indicates that such securities are derivatives, as defined by R.C. 135.14(C), and, therefore, not permissible investments under R.C. 135.14.”

Further, the Securities and Exchange Commission (SEC) has recognized the derivative characteristics of mortgage-backed securities, and has defined such securities as “derivative financial instruments” for purposes of 17 C.F.R. § 229.305(b) (1998).

It is also important to note that the Township’s approved investment policy prohibits the Treasurer from investing in securities that are derivatives.

During the fiscal year 2005, the Township invested in mortgage-backed securities with a December 31, 2005 value of \$7,517,431 .

Based on the above mentioned sections of the Ohio Revised Code, this type of security is determined to be a derivative, and, therefore, is an ineligible and prohibited obligation. In addition, these investments had maturity dates beyond 5 years in violation of the Ohio Revised Code and the Township's investment policies.

To ensure that the Township is in compliance with the above section of Revised Code and the Township's investment policy, the Township should invest in instruments that are eligible and authorized obligations.

Miami Township's Response

The auditors state that Miami Township has invested interim monies in "derivatives" as defined by R.C. 135.14(C) and not permissible.

The Handbook of Mortgage-Backed Securities by Frank J. Fabozzi describes and defines Mortgage Backed Securities.

There are three types of Mortgage-Backed Securities: Bond structures, Pass Through Structures, and Derivative Pass Through Structures.

The first category of Mortgage-Backed Securities are **Bond Structures**, which include fixed payment bonds, property-specific bonds, and pooled property financings. As with corporate bonds, these offerings generally carry call protection for a portion, or all, of the bond life. Fixed payment bonds usually are backed by pools of mortgages, with the majority of bonds issued to date being backed by seasoned mortgages. Property specific bonds and pooled property financings allow borrowers to directly access the capital markets to finance or refinance commercial properties. **These are the investments that Miami Township owns.**

The second category of Mortgage-Backed Securities are **Pass-Through Structures**. The pass through structures was developed for issuing securities backed by mortgages on single family homes. For these securities, mortgage payments are passed from mortgagors to investors through the servicer. All scheduled principal and interest payments (at the pass through rate net of servicing fees), and any prepayments of principal, and in many cases, prepayment fees are passed through to the investor. Investor's yields can be affected significantly by the amount and timing of principal prepayments and the receipt of prepayment fees. Most pass through securities issued to date have been backed by pools of seasoned mortgages, although future issuance to include pools of newly originated mortgages and single mortgages. Participation certificates, the traditional mechanism by which lenders have sold portions of their mortgage portfolios, also pass along principal and interest payments. **Miami Township does own these types of Securities.**

The third kind of Mortgage-Backed Security is Derivative **Pass-Through Securities**, such as **Collateralized Mortgage Obligations (CMO)**, which share characteristics of bonds and pass-throughs. Although Collateralized Mortgage Obligations do not have definite maturities, principal repayments are allocated to investors holding securities representing tranches that differ by maturity. Principal payments and prepayments are directed first to the shorter maturity tranches and, sequentially thereafter, to the tranches of longer maturity. In the most common form of **CMO**, investors in the shortest maturity class receive scheduled payments of interest and principal, plus all the unscheduled prepayment until that class is paid off. Prior to that time, investors in the longer maturity classes receive only scheduled interest payments, with the exception of interest accrual notes. In this manner, each class is retired in sequence. Generally, principal is not paid to holders of the longest maturity notes until all other classes are retired. **Miami Township does not own these kinds of securities.**

Derivative mortgage securities are created when mortgage cash flows are divided into two or more pieces, creating at least one instrument that has a set of performance characteristics substantially different from the underlying mortgages. The defining features of these derivative securities are high yield, high credit

quality, and returns that are extremely sensitive. **Miami Township does not own these kinds of securities.**

Mortgage strips are created by altering the distribution of the interest and principal on a pass through from pro rate to an unequal allocation. In the extreme case, interest only (IO) is paid to one class of investors, while principal only (PO) is paid to another class of investors. More moderate allocation can be made as well. These strips are acquired at a discount from the face amount. **Miami Township does not own these types of securities.**

Based on the above information, Miami Township is in compliance with ORC 135.14 (C) and does not have any interim monies invested in “derivatives”.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY
SCHEDULE OF PRIOR YEAR FINDINGS**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2004-001	Ohio Revised Code 135.14 (B)(1)(2) and 135.14(C) ineligible investments	No	Repeated as finding Number 2005-01



Mary Taylor, CPA
Auditor of State

MIAMI TOWNSHIP

MONTGOMERY 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
SEPTEMBER 6, 2007**