



Mary Taylor, CPA
Auditor of State

**REILY TOWNSHIP
BUTLER COUNTY**

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**REILY TOWNSHIP
BUTLER COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Reily Township
Butler County
6937 Imhoff Road
Oxford, Ohio 45056

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reily Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2007, 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 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 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reily Township, Butler County, Ohio as of December 31, 2007 and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, and Fire District Funds, in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. The Township has not provided the analysis required by generally accepted accounting principles in Management's Discussion and Analysis. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mary Taylor, CPA
Auditor of State

December 10, 2008

Reily Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

This discussion and analysis of Reily Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

Net assets of governmental activities increased \$23,152, or 5.7 percent due to receipt of estate taxes.

The Township's general receipts are primarily property taxes. These receipts represent 70.1 percent of the total cash received for governmental activities during the year. Property tax receipts for 2007 changed very little compared to 2006 as development within the Township has slowed.

The Township passed a replacement 3.5 mil fire levy in November 2007, for years 2008, 2009, 2010, 2011, 2012, to be collected in 2009, 2010, 2011, 2012, and 2013.

The balance on the life squad vehicle loan in the amount of \$56,000, plus interest, was paid off in 2007.

A wood chipper was purchased at a cost of \$7,500. Electrical work, plumbing, heating, gutters and gates were all completed and installed in the newly erected garage and storage building.

Playground equipment at the Community Center was upgraded and a new furnace was installed in the Community Center.

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 Township's 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.

**Using the Basic Financial Statements
(Continued)**

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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (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 cash basis of accounting.

Reporting the Government as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2007, within the limitations of cash basis accounting. The statement of net assets presents the cash 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 receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function or draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 evaluating the Township's financial condition, you should also consider other nonfinancial 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 and income taxes.

In the statement of net assets and the statement of activities, the Township's activities are aggregated into one type:

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

Reporting the Government'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 as to how it may be used is being spent for the intended purpose. The funds of the Township fall into one category: governmental.

Reily Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

Reporting the Government's Most Significant Funds
(Continued)

Governmental Funds – All 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 nonmajor 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 major governmental funds are the General Fund, Gasoline Tax Fund, Road & Bridge Fund and the Fire District Fund. 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.

The Government as a Whole

Table 1 provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2007	2006
Assets		
Cash and Cash Equivalents	\$423,890	\$400,738
Total Assets	\$423,890	\$400,738
Net Assets		
Restricted for:		
Debt Service	\$336	\$15,935
Permanent Fund, non exp.	1,862	1,862
Fire District	171,497	105,425
Other Purposes	111,147	120,778
Unrestricted	139,048	156,738
Total Net Assets	\$423,890	\$400,738

As mentioned previously, net assets of governmental activities increased \$ 23,152 or 5.7 percent during 2007. Table 2 reflects the changes in net assets in 2007 and 2006 respectively.

Reily Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Government as a Whole
(Continued)

	Governmental	
	Activities	
	<u>2007</u>	<u>2006</u>
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$8,177	\$5,415
Operating Grants and Contributions	150,523	141,574
Capital Grants and Contributions	-	67,000
Total Program Receipts	<u>158,700</u>	<u>213,989</u>
General Receipts:		
Property and Other Local Taxes	366,147	366,840
Grants and Entitlements Not Restricted to Specific Programs	143,319	205,734
Sale of Notes	-	70,000
Interest	7,558	6,407
Miscellaneous	4,957	6,021
Total General Receipts	<u>521,981</u>	<u>655,002</u>
Total Receipts	<u>680,681</u>	<u>868,991</u>
Disbursements:		
General Government	136,170	144,011
Security of Persons and Property:	70,896	67,819
Public Health Services	7,097	5,347
Public Works	365,316	304,336
Capital Outlay	19,851	256,697
Principal Retirement	56,000	45,000
Interest and Fiscal Charges	2,199	2,440
Total Disbursements	<u>657,529</u>	<u>825,650</u>
Increase (Decrease) in Net Assets	23,152	43,341
Net Assets, January 1, 2007	<u>400,738</u>	<u>357,397</u>
Net Assets, December 31, 2007	<u>\$423,890</u>	<u>\$400,738</u>

Reily Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The Government as a Whole
(Continued)

Program receipts represent only 23.3 and 24.6 percent of total receipts for 2007 and 2006 respectively and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gasoline tax money.

General receipts represent 76.7 and 75.4 percent of the Townships total receipts. State and federal grants and entitlements make up the balance of the Township's general receipts (27.4 and 31.4 percent respectively). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 internal services such as payroll and purchasing.

Public Safety are the costs of police and fire protection; Health is the health department; the economic development department promotes the Township to industry and commerce as well as working with other governments in the area to attract new business; and Public Works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, 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 general government and public works, which account for 20.7 and 55.6 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, about 10.8 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 Government 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.

(Table 3)

Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2006	Net Cost of Services 2006
General Government	\$136,170	\$136,170	\$144,011	\$144,011
Public Safety	\$70,896	\$47,704	\$67,819	(\$21,802)
Public Works	365,316	237,985	304,336	185,383
Health	7,097	1,145	5,347	2,822
Conservation - Recreation	-	(2,225)	-	(2,890)
Capital Outlay	19,851	19,851	256,697	256,697
Principal Retirement	56,000	56,000	45,000	45,000
Interest and Fiscal Charges	2,199	2,199	2,440	2,440
Total Expenses	\$657,529	\$498,829	\$825,650	\$611,661

Reily Township, Butler County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2007
Unaudited

The dependence upon property tax receipts is apparent as over 70 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts of \$680,681 and disbursements of \$657,529. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$17,690 as the result of increased costs for installation of plumbing, electric, gates in new storage building and installation of new furnace in the Community Center.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

Final disbursements were budgeted at \$371,822 while actual disbursements were \$270,399. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The General Fund balance decreased by \$17,690.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very few new industries to support the tax base.

Contacting the Government'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 N. Sue Breen, Fiscal Officer, Reily Township, Butler County, Ohio, 6937 Imhoff Road, Oxford, OH 45056.

REILY TOWNSHIP, BUTLER COUNTY

Statement of Net Assets - Cash Basis

December 31, 2007

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$423,890
<i>Total Assets</i>	<u><u>\$423,890</u></u>
Net Assets	
Restricted for:	
Debt Service	\$336
Permanent Fund	1,862
Fire Fund	171,497
Other Purposes	111,147
Unrestricted	139,048
<i>Total Net Assets</i>	<u><u>\$423,890</u></u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY

Statement of Activities - Cash Basis

For the Year Ended December 31, 2007

	Program Cash Receipts			Net (Disbursements) Receipts and changes in Net Assets
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
General Government	\$136,170	-	-	(\$136,170)
Public Safety	70,896	-	23,192	(47,704)
Public Works	365,316	-	127,331	(237,985)
Health	7,097	5,952	-	(1,145)
Conservation-Recreation	-	2,225	-	2,225
Capital Outlay	19,851	-	-	(19,851)
Debt Service:				
Principal	56,000	-	-	(56,000)
Interest	2,199	-	-	(2,199)
<i>Total Governmental Activities</i>	657,529	8,177	150,523	(498,829)
General Receipts				
Property Taxes				\$366,147
Grants and Entitlements not Restricted to Specific Programs				143,319
Earnings on Investments				7,558
Miscellaneous				4,957
<i>Total General Receipts</i>				521,981
Change in Net Assets				23,152
<i>Net Assets Beginning of Year</i>				400,738
<i>Net Assets End of Year</i>				\$423,890

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$138,846	\$38,956	\$38,688	\$171,497	\$35,903	\$423,890
<i>Total Assets</i>	<u>\$138,846</u>	<u>\$38,956</u>	<u>\$38,688</u>	<u>\$171,497</u>	<u>\$35,903</u>	<u>\$423,890</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$138,846					\$138,846
Special Revenue Funds	-	\$38,956	\$38,688	\$171,497	\$33,503	282,644
Debt Service Fund	-	-	-	-	336	336
Permanent Fund	-	-	-	-	2,064	2,064
<i>Total Fund Balances</i>	<u>\$138,846</u>	<u>\$38,956</u>	<u>\$38,688</u>	<u>\$171,497</u>	<u>\$35,903</u>	<u>\$423,890</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Gasoline Tax	Road and Bridge	Fire District	Other Governmental Funds	Total
Receipts						
Property and Other Local Taxes	\$96,677	\$ -	\$102,269	\$147,660	\$19,541	\$366,147
Licenses, Permits and Fees	-	-	-	-	2,852	2,852
Intergovernmental	143,319	93,639	14,550	23,192	19,141	293,841
Earnings on Investments	6,159	806	-	-	593	7,558
Miscellaneous	6,352	-	-	831	3,100	10,283
Total Receipts	252,507	94,445	116,819	171,683	45,227	680,681
Disbursements						
Current:						
General Government	132,019	-	1,605	2,546	-	136,170
Public Safety	5,782	-	-	65,114	-	70,896
Public Works	124,398	90,315	129,930	-	20,673	365,316
Health	1,300	-	-	-	5,797	7,097
Capital Outlay	6,900	-	-	9,951	3,000	19,851
Debt Service:						
Principal Retirement	-	-	-	28,000	28,000	56,000
Interest and Fiscal Charges	-	-	-	-	2,199	2,199
Total Disbursements	270,399	90,315	131,535	105,611	59,669	657,529
Excess of Receipts Over (Under) Disbursements	(17,892)	4,130	(14,716)	66,072	(14,442)	23,152
Net Change in Fund Balances	(17,892)	4,130	(14,716)	66,072	(14,442)	23,152
Fund Balances Beginning of Year	156,738	34,826	53,404	105,425	50,345	400,738
Fund Balances End of Year	<u>\$138,846</u>	<u>\$38,956</u>	<u>\$38,688</u>	<u>\$171,497</u>	<u>\$35,903</u>	<u>\$423,890</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 General Fund
 For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$93,200	\$93,200	\$96,677	\$3,477
Intergovernmental	112,469	112,469	143,319	30,850
Earnings on Investments	2,000	2,000	6,159	4,159
Miscellaneous	7,415	7,415	6,352	(1,063)
<i>Total receipts</i>	<u>215,084</u>	<u>215,084</u>	<u>252,507</u>	<u>37,423</u>
Disbursements				
Current:				
General Government	168,322	168,322	132,019	36,303
Public Safety	23,000	23,000	5,782	17,218
Public Works	141,500	146,500	124,398	22,102
Health	6,500	6,500	1,300	5,200
Capital Outlay	32,000	27,000	6,900	20,100
<i>Total Disbursements</i>	<u>371,322</u>	<u>371,322</u>	<u>270,399</u>	<u>100,923</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(156,238)</u>	<u>(156,238)</u>	<u>(17,892)</u>	<u>138,346</u>
Other Financing (Uses)				
Other Financing Uses	<u>(500)</u>	<u>(500)</u>	<u>0</u>	<u>500</u>
<i>Total Other Financing (Uses)</i>	<u>(500)</u>	<u>(500)</u>	<u>0</u>	<u>500</u>
<i>Net Change in Fund Balance</i>	<u>(156,738)</u>	<u>(156,738)</u>	<u>(17,892)</u>	<u>138,846</u>
<i>Fund Balance Beginning of Year</i>	<u>156,738</u>	<u>156,738</u>	<u>156,738</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$138,846</u>	<u>\$138,846</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
*Statement of Receipts, Disbursements and Changes
 In Fund Balance - Budget and Actual -Budget Basis
 Gasoline Tax
 For the Year Ended December 31, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Intergovernmental	\$76,000	\$76,000	\$93,639	\$17,639
Earnings on Investments	200	200	806	606
<i>Total receipts</i>	<u>76,200</u>	<u>76,200</u>	<u>94,445</u>	<u>18,245</u>
Disbursements				
Current:				
Public Works	111,025	111,025	90,315	20,710
<i>Total Disbursements</i>	<u>111,025</u>	<u>111,025</u>	<u>90,315</u>	<u>20,710</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(34,825)</u>	<u>(34,825)</u>	<u>4,130</u>	<u>38,955</u>
<i>Net Change in Fund Balance</i>	(34,825)	(34,825)	4,130	38,955
<i>Fund Balance Beginning of Year</i>	<u>34,825</u>	<u>34,825</u>	<u>34,826</u>	<u>1</u>
<i>Fund Balance End of Year</i>	<u>\$0</u>	<u>\$0</u>	<u>\$38,956</u>	<u>\$38,956</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER 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, 2007*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Receipts				
Property and Other Local Taxes	\$99,500	\$99,500	\$102,269	\$2,769
Intergovernmental	12,000	12,000	14,550	2,550
<i>Total receipts</i>	<u>111,500</u>	<u>111,500</u>	<u>116,819</u>	<u>5,319</u>
Disbursements				
Current:				
General Government	2,000	2,000	1,605	395
Public Works	149,322	158,322	129,930	28,392
Capital Outlay	14,000	5,000	0	5,000
<i>Total Disbursements</i>	<u>165,322</u>	<u>165,322</u>	<u>131,535</u>	<u>33,787</u>
<i>Excess of Receipts (Under) Disbursements</i>	<u>(53,822)</u>	<u>(53,822)</u>	<u>(14,716)</u>	<u>39,106</u>
<i>Net Change in Fund Balance</i>	(53,822)	(53,822)	(14,716)	39,106
<i>Fund Balance Beginning of Year</i>	<u>53,822</u>	<u>53,822</u>	<u>53,404</u>	<u>(418)</u>
<i>Fund Balance End of Year</i>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$38,688</u></u>	<u><u>\$38,688</u></u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District
For the Year Ended December 31, 2007*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$118,600	\$118,600	\$147,660	\$29,060
Intergovernmental	19,000	19,000	23,192	4,192
Miscellaneous	5,900	5,900	831	(5,069)
<i>Total receipts</i>	143,500	143,500	171,683	28,183
Disbursements				
Current:				
General Government	3,000	3,000	2,546	454
Public Safety	214,925	214,925	65,114	149,811
Capital Outlay	31,000	31,000	9,951	21,049
Debt Service:				
Principal Retirement	0	0	28,000	(28,000)
<i>Total Disbursements</i>	248,925	248,925	105,611	143,314
<i>Excess of Receipts Over (Under) Disbursements</i>	(105,425)	(105,425)	66,072	171,497
<i>Net Change in Fund Balance</i>	(105,425)	(105,425)	66,072	171,497
<i>Fund Balance Beginning of Year</i>	105,425	105,425	105,425	-
<i>Fund Balance End of Year</i>	(\$0)	(\$0)	\$171,497	\$171,497

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

Reily Township, Butler County, Ohio (the Township), is a body politic and corporate established in 1807 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 also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance, and volunteer fire department and life squad services. Police protection is provided by the Butler County Sheriff's Department.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including 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 primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances, and debt of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Note 2 – Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds 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 financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into one category – governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road & Bridge Fund, and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax and Road and Bridge Funds, which are Public Works funds, are available for the upkeep and maintenance of roads and bridges. The Fire District Fund, a Public Safety fund, is a 3.5 mill tax levied for maintaining the volunteer fire protection and life squad services.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

Note 2 – Summary of Significant Accounting Policies (Continued)

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Fiscal Officer. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Deposits

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

During 2007, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposits are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$6,159.

F. Accumulated Leave

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

G. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits.

Note 2 – Summary of Significant Accounting Policies (Continued)

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township has no leases.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintaining roads and bridges, maintaining cemeteries, and maintaining fire equipment and life squad services.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township has no fund balance reserves.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. There were no interfund transactions during 2007.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year.

Note 4 – Deposits and Investments

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

Note 4 – Deposits and Investments (Continued)

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 Trustees have 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 which 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 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.

Note 4 – Deposits and Investments (Continued)

Deposits

Custodial credit risk is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$369,983 of the Township's bank balance of \$472,048 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2007 became a lien on December 31, 2006, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 5 – Property Taxes (Continued)

The full tax rate for all Township operations for the year ended December 31, 2007, was \$7.39 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	
Residential	\$44,186,600
Agricultural	11,193,200
Commercial/Industrial/Mineral	973,200
Tangible Personal Property	
Business	325,150
Public Utility	1,600,600
Total Assessed Value	<u>\$58,278,750</u>

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

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

For an occurrence prior to January 1, 2006 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage 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 (for claims prior to January 1, 2006) or \$3,000,000 (for claims on or after January 1, 2006) as noted above.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 6 – Risk Management (Continued)

on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 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 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2007 and 2006, respectively.

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Retained earnings	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 liabilities noted above include approximately \$12.5 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above include approximately \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$15,222. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

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

<u>Year</u>	<u>Contribution</u>
2007	\$16,194
2006	20,750
2005	25,853

Note 6 – Risk Management (Continued)

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates 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 in 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 contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2007, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.5 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2007 was 13.85 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Contributions to the member-directed plan for 2007 were \$21,953 made by the Township and \$15,058 made by the plan members.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2007 local government employer contribution rate was 13.85 percent of covered payroll.

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2007
(Continued)

Note 8 - Postemployment Benefits (Continued)

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, 2007, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 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 1.00 and 6.00 percent annually for the next eight years and 4.00 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 374,979. Actual employer contributions for 2007 which were used to fund postemployment benefits were \$8,717. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7billion, 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.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

	Interest Rate	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
<u>Governmental Activities</u>						
Loan						
2006 Issue \$70,000	4.93%	\$56,000	\$0	\$56,000	\$0	\$

The Township obtained a \$70,000 loan in 2006 for the purchase of a new life squad. This loan was paid in full during 2007.

Note 10 – Construction and Contractual Commitments

The Township contracts with the Butler County Engineer's Office for road paving.

Note 11 – Contingent Liabilities

The Township has no lawsuits pending.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Reily Township
Butler County
6937 Imhoff Road
Oxford, Ohio 45056

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reily Township, Butler County, Ohio (the Township), as of and for the year ended December 31, 2006, 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 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 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 opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reily Township, Butler County, Ohio as of December 31, 2006 and the respective changes in cash financial position and the respective budgetary comparisons for the General, Gasoline Tax, Road and Bridge, and Fire District Funds, in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2008, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but are supplementary information accounting principles generally accepted in the United States of America requires. The Township has not provided the analysis required by generally accepted accounting principles in Management's Discussion and Analysis. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting 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 "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

December 10, 2008

Reily Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

This discussion and analysis of the Reily Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of Reily Township's financial performance.

Highlights

Key highlights for 2006 are as follows:

Net assets of governmental activities increased \$43,341, or 12.1 percent, due to receipt of additional estate taxes.

The Township's general receipts are primarily property taxes. These receipts represent 56.1 percent of the total cash received for governmental activities during the year. Property receipts for 2006 changed 5.7 percent compared to 2005 as property evaluations within the Township increased.

A Community Development Block Grant in the amount of \$67,000 was received from the County Commissioners to purchase property adjacent to one firehouse.

The Township borrowed \$70,000 for a two-year period to purchase a new life squad vehicle.

Paving costs increased by 15%.

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 Township's 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 cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

Using the Basic Financial Statements
(Continued)

As a result of using the cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (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 2006, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental funds 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 receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 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, the Township activities are aggregated into one type:

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

Reporting the Townships 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 as to how it may be used is being spent for the intended purpose. The funds of the Township fall into one category: governmental.

Governmental Funds – All 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 nonmajor 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 major governmental funds are the General Fund, Road & Bridge Fund, Gasoline Tax Fund, and the Fire District Fund. The programs reported in governmental funds are closely related to

Reily Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

Reporting the Townships Most Significant Funds
(Continued)

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.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

(Table 1)

Net Assets

	Governmental Activities	
	2006	2005
Assets		
Cash and Cash Equivalents	\$400,738	\$357,397
 Total Assets	 \$400,738	 \$357,397
 Net Assets		
Restricted for:		
Debt Service	\$15,935	\$550
Permanent Fund	1,862	1,862
Fire District	105,425	93,594
Other Purposes	120,778	62,137
Unrestricted	156,738	199,254
Total Net Assets	\$400,738	\$357,397

As mentioned previously, net assets of governmental activities increased \$43,341 or 12.1 percent during 2006.

Table 2 reflects the changes in net assets on a cash basis in 2006 and 2005, respectively.

Reily Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Township as a Whole
(Continued)

Receipts:

Program Receipts:

Charges for Services and Sales	\$5,415	\$8,421
Operating Grants and Contributions	141,574	135,621
Capital Grants and Contributions	67,000	7,470
Total Program Receipts	<u>213,989</u>	<u>151,512</u>

General Receipts:

Property and Other Local Taxes	366,840	342,656
Grants and Entitlements Not Restricted to Specific Programs	205,734	121,395
Sale of Notes	70,000	
Interest	6,407	3,522
Miscellaneous	6,021	16,060
Total General Receipts	<u>655,002</u>	<u>483,633</u>

Total Receipts

<u>868,991</u>	<u>635,145</u>
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Disbursements:

General Government	144,011	105,302
Public Safety	67,819	76,790
Health	5,347	8,728
Public Works	304,336	251,084
Capital Outlay	256,697	169,464
Principal Retirement	45,000	31,000
Interest and Fiscal Charges	2,440	1,331
Total Disbursements	<u>825,650</u>	<u>643,699</u>

Increase (Decrease) in Net Assets

43,341	(8,554)
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Net Assets, January 1

<u>357,397</u>	<u>365,951</u>
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Net Assets, December 31

<u>\$400,738</u>	<u>\$357,397</u>
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Program receipts represent only 24.6 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Reily Township, Butler County
Management's Discussion and Analysis
For the Year Ended December 31, 2006
Unaudited

The Township as a Whole
(Continued)

General receipts represent 75.4 percent of the Township's total receipts. State and federal grants and entitlements make up the balance of the Township's general receipts (31.4 percent). Other receipts are very insignificant and somewhat unpredictable revenue sources.

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 internal services such as payroll and purchasing.

Public Safety are the costs of police and fire protection; Health is the health department; the economic development department promotes the Township to industry and commerce as well as working with other governments in the area to attract new business; and Public Works is the cost of maintaining the roads.

Governmental Activities

If you look at the Statement of Activities, 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 general government and public works, which account for 17.4 and 36.9 percent of all governmental disbursements, respectively. Public Safety also represents a significant cost, 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.

(Table 3)

Governmental Activities

	Total Cost of Services 2006	Net Cost of Services 2006	Total Cost of Services 2005	Net Cost of Services 2005
General Government	\$144,011	\$144,011	\$105,305	\$105,305
Public Safety	\$67,819	(\$21,802)	\$76,790	\$48,635
Health	5,347	2,822	8,728	4,032
Conservation - Recreation	-	(2,890)	-	(3,725)
Public Works	304,336	185,383	251,084	136,149
Capital Outlay	256,697	256,697	169,463	169,463
Principal Retirement	45,000	45,000	31,000	31,000
Interest and Fiscal Charges	2,440	2,440	1,331	1,331
Total Expenses	\$825,650	\$611,661	\$643,701	\$492,190

The dependence upon property tax receipts is apparent as over 44.4 percent of governmental activities are supported through these general receipts. The Township purchased property next to one of the firehouses at a cost of \$67,000. A new life squad vehicle was purchased with a loan in the amount of \$70,000.

The Township's Funds

Total governmental funds had receipts of \$868,991 and disbursements of \$825,650. The greatest change within governmental funds occurred within the General Fund. The fund balance of the General Fund decreased \$41,439 as the result of costs for construction of two new storage buildings.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During 2006, the Township amended its General Fund budget several times to reflect changing circumstances. The difference between final budgeted receipts and actual receipts was not significant.

Final disbursements were budgeted at \$476,766 while actual disbursements were \$358,529. Although receipts failed to live up to expectations, appropriations were not reduced. The Township kept spending very close to budgeted amounts as demonstrated by the minor reported variances. The result is the decrease in fund balance of \$1,076 for 2006.

Debt Administration

At December 31, 2006, the Township's outstanding debt included \$56,000 for a loan to purchase a life squad vehicle in June 2006.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very few businesses to support the tax base. The Local Government Fund, which is scheduled to be eliminated, provides 45.3 percent of our General Fund budget. The Township spends between \$120,000 and \$150,000 each year for paving our roads, and the Board has said that they will need to cut back on paving by 60 to 70 percent, should the Local Government Fund be discontinued.

Contacting the Government'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 Sue Breen, Fiscal Officer, Reily Township Butler County, 6937 Imhoff Road, Oxford, Ohio 45056.

REILY TOWNSHIP, BUTLER COUNTY

Statement of Net Assets - Cash Basis

December 31, 2006

	<u>Governmental Activities</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$400,738
<i>Total Assets</i>	<u><u>\$400,738</u></u>
Net Assets	
Restricted for:	
Debt Service	\$15,935
Permanent Fund	1,862
Fire Fund	105,425
Other Purposes	120,778
Unrestricted	<u>156,738</u>
<i>Total Net Assets</i>	<u><u>\$400,738</u></u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2006*

	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	\$144,011	\$ -	\$ -	\$ -	(\$144,011)
Public Safety	67,819	-	22,621	67,000	21,802
Public Works	304,336	-	118,953	-	(185,383)
Health	5,347	2,525	-	-	(2,822)
Conservation-Recreation	-	2,890	-	-	2,890
Capital Outlay	256,697	-	-	-	(256,697)
Debt Service:					
Principal	45,000	-	-	-	(45,000)
Interest	2,440	-	-	-	(2,440)
<i>Total Governmental Activities</i>	825,650	5,415	141,574	67,000	(611,661)
General Receipts					
Property Taxes					\$366,840
Grants and Entitlements not Restricted to Specific Programs					205,734
Sale of Notes					70,000
Earnings on Investments					6,407
Miscellaneous					6,021
<i>Total General Receipts</i>					655,002
Change in Net Assets					43,341
<i>Net Assets Beginning of Year</i>					357,397
<i>Net Assets End of Year</i>					<u>\$400,738</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2006

	General	Road and Bridge	Fire District	Gasoline	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	\$ 156,738	\$ 53,404	\$ 105,425	\$ 34,826	\$ 50,345	\$ 400,738
<i>Total Assets</i>	<u>\$ 156,738</u>	<u>\$ 53,404</u>	<u>\$ 105,425</u>	<u>\$ 34,826</u>	<u>\$ 50,345</u>	<u>\$ 400,738</u>
Fund Balances						
Unreserved:						
Undesignated (Deficit), Reported in:						
General Fund	\$156,738					\$156,738
Special Revenue Funds	-	\$53,404	\$105,425	\$34,826	\$32,548	226,203
Debt Service Fund	-	-	-	-	15,935	15,935
Permanent Fund	-	-	-	-	1,862	1,862
<i>Total Fund Balances</i>	<u>\$ 156,738</u>	<u>\$ 53,404</u>	<u>\$ 105,425</u>	<u>\$ 34,826</u>	<u>\$ 50,345</u>	<u>\$ 400,738</u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY

Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances

Governmental Funds

For the Year Ended December 31, 2006

	General	Road and Bridge	Fire District	Gasoline Tax	Other Governmental Funds	Total
Receipts						
Property and Other Local Taxes	\$ 96,772	\$ 102,404	\$ 115,714	\$ -	\$ 51,950	\$ 366,840
Licenses, Permits and Fees	-	-	-	-	1,775	1,775
Intergovernmental	205,735	14,189	22,621	85,545	86,219	414,309
Earnings on Investments	5,673	-	-	466	268	6,407
Miscellaneous	8,736	-	-	-	750	9,486
Total Receipts	316,916	116,593	138,335	86,011	140,962	798,817
Disbursements						
Current:						
General Government	139,389	1,668	2,954	-	-	144,011
Public Safety	4,999	-	62,820	-	-	67,819
Public Works	138,109	73,034	-	81,799	11,394	304,336
Health	1,265	-	-	-	4,082	5,347
Capital Outlay	74,767	-	114,930	-	67,000	256,697
Debt Service:						
Principal Retirement	-	-	-	-	45,000	45,000
Interest and Fiscal Charges	-	-	-	-	2,440	2,440
Total Disbursements	358,529	74,702	180,704	81,799	129,916	825,650
Excess of Receipts Over (Under) Disbursements	(41,613)	41,891	(42,369)	4,212	11,046	(26,833)
Other Financing Sources:						
Sale of Notes	-	-	70,000	-	-	70,000
Transfers In	-	-	-	-	15,800	15,800
Transfers Out	-	-	(15,800)	-	-	(15,800)
Other Financing Sources	174	-	-	-	-	174
Total Other Financing Sources (Uses)	174	-	54,200	-	15,800	70,174
Net Change in Fund Balances	(41,439)	41,891	11,831	4,212	26,846	43,341
Fund Balances Beginning of Year	198,177	11,513	93,594	30,614	23,499	357,397
Fund Balances End of Year	\$ 156,738	\$ 53,404	\$ 105,425	\$ 34,826	\$ 50,345	\$ 400,738

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2006

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Receipts				
Property and Other Local Taxes	\$84,600	\$84,600	\$96,772	\$12,172
Intergovernmental	116,498	183,498	205,735	22,237
Earnings on Investments	2,000	2,000	5,673	3,673
Miscellaneous	7,415	7,415	8,736	1,321
<i>Total receipts</i>	210,513	277,513	316,916	39,403
Disbursements				
Current:				
General Government	186,266	189,261	139,389	49,872
Public Safety	23,000	23,000	4,999	18,001
Public Works	161,500	161,500	138,109	23,391
Health	6,500	6,500	1,265	5,235
Capital Outlay	32,000	96,005	74,767	21,238
<i>Total Disbursements</i>	409,266	476,266	358,529	117,737
<i>Excess of Receipts (Under) Disbursements</i>	(198,753)	(198,753)	(41,613)	157,140
Other Financing Sources (Uses)				
Advances Out	(500)	-	-	0
Other Financing Sources	-	-	174	174
Other Financing Uses	-	(500)	-	500
<i>Total Other Financing Sources (Uses)</i>	(500)	(500)	174	674
<i>Net Change in Fund Balance</i>	(199,253)	(199,253)	(41,439)	157,814
<i>Fund Balance Beginning of Year</i>	199,253	199,253	198,177	(1,076)
<i>Fund Balance End of Year</i>	\$0	\$0	\$156,738	\$156,738

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Gasoline Tax Fund
For the Year Ended December 31, 2006

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Intergovernmental	\$ 66,000	\$ 66,000	\$ 85,545	\$ 19,545
Earnings on Investments	100	100	466	366
<i>Total receipts</i>	<u>66,100</u>	<u>66,100</u>	<u>86,011</u>	<u>19,911</u>
Disbursements				
Current:				
Public Works	96,714	96,714	81,799	14,915
<i>Total Disbursements</i>	<u>96,714</u>	<u>96,714</u>	<u>81,799</u>	<u>14,915</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(30,614)</u>	<u>(30,614)</u>	<u>4,212</u>	<u>34,826</u>
<i>Net Change in Fund Balance</i>	(30,614)	(30,614)	4,212	34,826
<i>Fund Balance Beginning of Year</i>	<u>30,614</u>	<u>30,614</u>	<u>30,614</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,826</u>	<u>\$ 34,826</u>

REILY TOWNSHIP, BUTLER 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, 2006*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$88,500	\$88,500	\$102,404	\$13,904
Intergovernmental	11,000	11,000	14,189	3,189
<i>Total receipts</i>	<u>99,500</u>	<u>99,500</u>	<u>116,593</u>	<u>17,093</u>
Disbursements				
Current:				
General Government	2,000	2,000	1,668	332
Public Works	104,621	104,621	73,034	31,587
Capital Outlay	4,000	4,000	0	4,000
<i>Total Disbursements</i>	<u>110,621</u>	<u>110,621</u>	<u>74,702</u>	<u>35,919</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(11,121)</u>	<u>(11,121)</u>	<u>41,891</u>	<u>53,012</u>
<i>Net Change in Fund Balance</i>	(11,121)	(11,121)	41,891	52,914
<i>Fund Balance Beginning of Year</i>	<u>11,612</u>	<u>11,612</u>	<u>11,513</u>	<u>(100)</u>
<i>Fund Balance End of Year</i>	<u><u>\$491</u></u>	<u><u>\$491</u></u>	<u><u>\$53,404</u></u>	<u><u>\$52,913</u></u>

See accompanying notes to the basic financial statements

REILY TOWNSHIP, BUTLER COUNTY
*Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2006*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$118,000	\$102,200	\$115,714	\$13,514
Intergovernmental	19,000	19,000	22,621	3,621
Miscellaneous	5,900	5,900	-	(5,900)
<i>Total receipts</i>	142,900	127,100	138,335	11,235
Disbursements				
Current:				
General Government	3,000	3,000	2,954	46
Public Safety	211,809	165,739	62,820	102,919
Capital Outlay	21,000	121,270	114,930	6,340
<i>Total Disbursements</i>	235,809	290,009	180,704	109,305
<i>Excess of Receipts Over (Under) Disbursements</i>	(92,909)	(162,909)	(42,369)	120,540
Other Financing Sources				
Sale of Notes	-	70,000	70,000	-
Transfers Out	-	-	(15,800)	(15,800)
<i>Total Other Financing Sources</i>	-	70,000	54,200	(15,800)
<i>Net Change in Fund Balance</i>	(92,909)	(92,909)	11,831	104,740
<i>Fund Balance Beginning of Year</i>	92,909	92,909	93,594	685
<i>Fund Balance End of Year</i>	\$ -	\$ -	\$105,425	\$105,425

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

Reily Township, Butler County, Ohio (the Township), is a body politic and corporate established in 1807 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 also has an elected Township Fiscal Officer.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges, and cemetery maintenance, and volunteer fire department and life squad services. Police protection is provided by the Butler County Sheriff's Department.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the Township's accounting policies.

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including 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 primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net assets presents the cash and investment balances, and debt of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include charges paid by the recipient of the program's goods or services, grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds 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. Nonmajor funds are aggregated and presented in a single column.

Note 2 – Summary of Significant Accounting Policies (Continued)

B. Fund Accounting

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The funds of the Township are divided into one category - governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Gasoline Tax Fund, Road & Bridge Fund, and Fire District Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Gasoline Tax and Road and Bridge Funds, which are Public Works funds, are available for upkeep and maintenance of roads and bridges. The Fire District Fund, a Public Safety Fund, is a 3.5 mill levied tax for maintaining the volunteer fire protection and life squad services.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

C. Basis of Accounting

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued liabilities and the related expenses) are not recorded in these financial statements.

D. Budgetary Process

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate.

The appropriations ordinance is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in receipts are identified by the Township Clerk. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificated of estimated resources in effect at the time final appropriations were passed by the Township.

Note 2 – Summary of Significant Accounting Policies (Continued)

The appropriations ordinance is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation ordinance for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

E. Cash and Investments

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents.

During 2006, the Township invested in nonnegotiable certificates of deposit. The nonnegotiable certificates of deposits are reported at cost.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$5,673.

F. Inventory and Prepaid Items

The Township reports disbursements for inventories and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits.

J. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township has no leases.

Note 2 – Summary of Significant Accounting Policies (Continued)

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for maintaining roads and bridges, maintaining cemeteries, and maintaining fire equipment and life squad services. The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. The Township has no fund balance reserves.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, Road and Bridge Fund, and Fire District Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget.

Encumbrances outstanding at year end are canceled and re-appropriated in the subsequent year.

Note 4 – Deposits 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 Trustees have 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 which 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.

Note 4 – Deposits and Investments (Continued)

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 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 will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$350,908 of the Township's bank balance of \$452,972 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name.

The Township has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the Township or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2006 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$7.39 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 (2006) property tax receipts were based are as follows:

Real Property	
Residential	\$43,403,200
Agricultural	11,117,600
Commercial/Industrial/Mineral	671,520
Tangible Personal Property	
Business	421,215
Public Utility	1,763,770
Total Assessed Value	<u>\$57,377,305</u>

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs. The System administers and pays all claims.

Note 6 – Risk Management (Continued)

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. The Township has \$3,000,000.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$5,000,000.

The aforementioned casualty and property reinsurance agreements do not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective township.

Settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Assets	\$42,042,275	\$30,485,638
Liabilities	(12,120,661)	(12,344,576)
Retained earnings	<u>\$29,921,614</u>	<u>\$18,141,062</u>

Note 6 – Risk Management (Continued)

At December 31, 2006 and 2005, respectively, casualty coverage assets and retained earnings noted above include approximately \$11.3 million and \$11.3 million of estimated incurred claims payable. These amounts will be billed and collected from members in the future when the related claims are due for payment. Because OTARMA is a public entity risk pool that shares risk management among its members, a specific liability related to the Township can not be reasonably estimated.

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

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

<u>Year</u>	<u>Contribution</u>
2006	\$20,750
2005	25,853
2004	24,494

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates 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 in 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 contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, 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 and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2006, the members of the member directed plan were required to contribute 9 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

Note 7 – Defined Benefit Pension Plan (Continued)

Contributions to the member-directed plan for 2006 were \$20,724 made by the Township and \$13,614 made by the plan members.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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 the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll.

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, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 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 0.50 and 6.00 percent annually for the next eight years and 4.00 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, not to exceed a 12 percent corridor.

The number of active contributing participants in the traditional and combined plans was 369,214. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$6,807. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006 (the most recent information available) were \$11.1billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$31.3 billion and \$20.2 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.

Note 9 – Debt

The Township's long-term debt activity for the year ended December 31, 2006, was as follows:

	Interest Rate	Balance December 31, 2005	Additions	Reductions	Balance December 31, 2006	Due Within One Year
<u>Governmental Activities</u>						
Loans						
Fire Truck	2.76%	\$31,000	\$0	\$31,000	\$0	\$0
Life Squad	4.93%	0	70,000	14,000	\$56,000	28,000
Totals		\$31,000	\$70,000	\$45,000	\$56,000	\$28,000

Reily Township, Butler County, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2006
(Continued)

Note 9 – Debt (Continued)

The Township obtained a \$93,000 loan in November 2003 for the purchase of a new fire truck. This loan was paid off during 2006.

The Township obtained a \$70,000 loan in June 2006 for the purchase of a new life squad. The loan will be repaid in semi-annual installments of \$14,000 with an interest rate of 4.93% over a two and one half year period, maturing in December 2008. The loan is a direct obligation of the Township and pledge full faith and credit of the Township.

The following is a summary of the Township's future annual debt service requirements:

Year	Life Squad Loan	
	Principal	Interest
2007	\$28,000	\$2,763
2008	28,000	1,381
Totals	<u>\$56,000</u>	<u>\$4,144</u>

The Ohio Revised Code provides that net general obligation debt of the Township, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the Township. The Revised Code further provides that total voted and unvoted net debt of the Township less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The tax evaluation on December 31, 2005, was \$57,377,305.

Note 10 – Construction and Contractual Commitments

The Township contracts with the Butler County Engineer's Office for road paving.

Note 11 – Contingent Liabilities

The Township has no lawsuits pending.

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Mary Taylor, CPA

Auditor of State

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

Reily Township
Butler County
6937 Imhoff Road
Oxford, Ohio 45056

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reily Township, Butler County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006, which collectively comprise the Township's basic financial statements and have issued our report thereon dated December 10, 2008, wherein we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. 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 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in 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 its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the 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 the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above is also a material weakness.

We also noted certain internal control matters that we reported to the Township's management in a separate letter dated December 10, 2008.

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 matters that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item number 2007-002.

We also noted certain noncompliance not requiring inclusion in this report that we reported to the Township's management in a separate letter dated December 10, 2008.

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



Mary Taylor, CPA
Auditor of State

December 10, 2008

**REILY TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2007 AND 2006**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2007-001

Material Weakness

Ohio Admin. Code, Section 117-2-01(D), states, in part, that when designing the public office's system of internal control and the specific control activities, management should consider ensuring that all transactions are properly authorized in accordance with management's policies, ensuring that accounting records are properly designed, and verifying the existence and valuation of assets and liabilities and periodically reconcile them to the accounting records.

The Township lacked management oversight in the posting of receipts and expenditures of the Township. This lack of oversight is illustrated by the following:

- In 2006, the Fiscal Officer recorded the sale of notes in the amount of \$70,000 as Miscellaneous Revenue instead of Proceeds from the Sale of Notes in the Fire Fund.
- In 2006, the Fiscal Officer recorded the January 2006 Permissive Motor Vehicle License Tax settlement in the amount of \$418 to Taxes in the Road and Bridge Fund instead of Intergovernmental Revenue in the Permissive Motor Vehicle License Tax Fund.
- In 2006, the Fiscal Officer posted interest earned from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund in the amounts of \$91, \$466, and \$178, respectively to Program Revenues in the Statement of Activities instead of General Revenues.
- In 2007, the Fiscal Officer recorded the early retirement payment of the life squad loan in the amount of \$28,000 to Public Safety instead of Debt Service in the Fire Fund.
- In 2007, the Fiscal Officer recorded the November Gasoline Tax settlement in the amount of \$4,894 as Earnings on Investments in the Motor Vehicle License Tax Fund instead of Intergovernmental Revenue in the Gasoline Tax Fund.
- In 2007, the Fiscal Officer posted the March public utility deregulation settlement in the amount of \$1,156 entirely to the General Fund. Of this amount, \$313 and \$547 should have been posted to the Road and Bridge and Fire funds, respectively. As such, the Township incorrectly reported these monies as General Revenues rather than as Program Revenues in the Statement of Activities.
- In 2007, the Fiscal posted the December \$10,000 Personal Property Tax Exemption in the amount of \$265 to the General Fund. Of this amount, \$69 and \$121 should have been posted to the Road and Bridge and Fire funds, respectively. As such, the Township incorrectly reported these monies as General Revenues rather than as Program Revenues in the Statement of Activities.

**FINDING NUMBER 2007-001
(Continued)**

- In 2007, the Fiscal Officer posted interest earned from the Motor Vehicle License Tax Fund, Gasoline Tax Fund, and Permissive Motor Vehicle License Tax Fund in the amounts of \$90, \$806, and \$302, respectively to Program Revenues in the Statement of Activities instead of General Revenues.
- In 2007, the Fiscal Officer posted an improper fund balance adjustment to void checks in the amount of \$110 for the Fire Fund. In 2006, the Fiscal Officer posted improper fund balance of adjustments to void checks in the amount of \$100 for the Road and Bridge Fund and \$80 for the Fire Fund. The Fiscal Office should have posted these adjustments to the related expenditure account.
- In 2006 and 2007, the Fiscal Officer recorded all monies received from the permissive motor vehicle tax as Intergovernmental Revenue instead of posting the locally levied portion to Taxes in the Permissive Motor Vehicle License Tax Fund. In 2006, the Fiscal Officer posted \$4,925 to Intergovernmental Revenue instead of Taxes. In 2007, the Fiscal Officer posted \$4,940 to Intergovernmental Revenue instead of Taxes.

The Township made adjustments to the accompanying financial statements for the above items.

The lack of proper management oversight could result in material misstatement of receipts. We recommend the Township use due care in posting receipt transactions to the Township's books. For guidance, the Township should utilize the Ohio Township Handbook.

Officials' Response:

Officials did not provide a response to the above finding.

FINDING NUMBER 2007-002

Material Noncompliance

Ohio Rev. Code, Section 5705.36(A)(4), requires that, upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in the official certificate, and that the amount of the deficiency will reduce available resources below the current level of appropriations, the fiscal officer shall certify the amount of the deficiency to the commission and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, estimated receipts exceeded actual receipts and appropriations exceeded beginning unencumbered fund balance plus actual receipts for the following funds:

Fund	Appropriations	Beginning Unencumbered Fund Balance + Actual Receipts	Variance
Motor Vehicle License Tax Fund (2007)	\$18,521	\$16,325	\$2,196
Bond Retirement Fund (2007)	47,135	30,534	16,601
Motor Vehicle License Tax Fund (2006)	16,120	14,104	2,016
Cemetery Fund (2006)	15,689	14,314	1,375
Bond Retirement (2006)	48,650	47,575	1,075

The Township lacked management oversight to ensure proper monitoring of budgetary activity. Failure to properly obtain amended certificates when the amount of deficiency will reduce available resources below the current level of appropriations can result in overspending and negative fund balances. We recommend the Fiscal Officer and the Trustees monitor the budgetary activity of the Township.

Officials' Response:

Officials did not provide a response to the above finding.

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**REILY TOWNSHIP
BUTLER COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007 AND 2006**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2005-001	ORC 5705.41 (B) Expenditures exceeding appropriations	Yes	
2005-002	ORC 5705.41 (D) Not properly certifying purchases.	No	Partially corrected. Reissued as a Management Letter citation.



Mary Taylor, CPA
Auditor of State

REILY TOWNSHIP

BUTLER 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
DECEMBER 24, 2008**