

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2007**



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of Miami Township, Montgomery County, prepared by Bastin & Company, LLC, for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

September 3, 2009

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**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Miami Township, Ohio

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami Township (the Township), Montgomery County, Ohio as of and for the year ended December 31, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Township, Montgomery County, Ohio as of December 31, 2007 and the respective changes in cash financial position and the respective budgetary comparisons for the General, Police, Fire/EMS, Road and Bridge and Trash Funds for the year then ended in conformity with the basis of accounting as described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2009 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 4 through 10 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bastin & Company, LLC

Cincinnati, Ohio
June 29, 2009

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

This discussion and analysis of Miami Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2007, 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 the Township's financial performance.

Highlights

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased by \$1.5 million or 12 percent. Cash receipts decreased by \$1.3 million resulting primarily from recognizing capital lease proceeds in 2006. Cash disbursements were \$2.8 million less than in 2006 because of the related decrease in capital outlay.
- The General Fund has net assets of \$2.8 million, an increase of \$305,963.
- The Police Fund experienced a decrease of \$193,052. The Fire/EMS Fund experienced an increase of \$1,008,341. The Road and Bridge Fund experienced an increase of \$196,129. The Trash Fund experienced a decrease of \$93,410.
- Income tax receipts from the Miami Township/City of Dayton Joint Economic Development District (JEDD), and payments in lieu of taxes (PILOTS) from properties located in the Austin Pike I-75 Interchange and the Kingsridge/Dayton Mall Tax Incremental Financing (TIF) areas make up the majority of the increase in net assets in the Other Governmental Funds column.

The Township's receipts are primarily property taxes, intergovernmental receipts, and charges for services. These receipts represent 68, 18, and 5 percent respectively of the total cash received for governmental activities during the year.

Work with surrounding jurisdictions on the Austin Interchange continued throughout 2007.

In November of 2007, voters approved a 3.65 mill and a .9 mill replacement property tax levy to fund Police and Trash collection services, respectively.

Using the Basic Financial Statements

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

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

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.

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 expenditures (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the 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 2007, within the limitations of the cash basis accounting. The statement of net assets presents the pooled cash and investment balances of the governmental activities of the Township at year-end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General cash receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Government's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the 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 has one type of activity:

Governmental activities. All of the Township's basic services are reported here, including general government, police, fire/EMS, public works, health, economic development and conservation-recreation. Property taxes and intergovernmental receipts finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

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

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted for a specific use, is being spent for the intended purpose. The funds of the Township consist totally of governmental funds.

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 non-major funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General, Police, Fire/EMS, Road and Bridge and Trash Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Township 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-restated
Assets		
Cash and Cash Equivalents	\$13,846,411	\$ 12,367,669
Total Assets	<u>\$13,846,411</u>	<u>\$ 12,367,669</u>
Net Assets		
Restricted for:		
Capital Projects	\$ 56,678	\$ 124,359
Other Purposes	10,957,068	9,716,608
Unrestricted	2,832,665	2,526,702
Total Net Assets	<u>\$13,846,411</u>	<u>\$ 12,367,669</u>

As mentioned previously, net assets of governmental activities increased \$1.5 million during 2007.

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

Tables 2 reflect the changes in net assets in 2007 compared to 2006 on a cash basis.

(Table 2)
Changes in Net Assets

	Governmental Activities	
	2007	2006-restated
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$ 1,285,021	\$ 1,063,175
Operating Grants and Contributions	16,564	-
Capital Grants and Contributions	234,934	131,441
Total Program Receipts	1,536,519	1,194,616
General Receipts:		
Property and Other Local Taxes	11,946,157	10,929,955
Grants and Entitlements not Restricted to Specific Programs	3,033,556	2,748,304
Payments in Lieu of Taxes	184,573	-
Proceeds from Capital Lease	-	2,919,274
Interest	651,513	571,633
Miscellaneous	137,124	453,434
Total General Receipts	15,952,923	17,622,600
Total Receipts	17,489,442	18,817,216
Disbursements:		
General Government	1,598,551	1,458,890
Public Safety	9,534,234	8,800,611
Public Works	1,214,373	1,148,882
Health	1,507,861	1,367,747
Economic Development	265,095	-
Conservation & Recreation	259,907	208,430
Other	-	5,472
Capital Outlay	1,198,987	5,379,967
Debt Service:		
Principal Retirement	245,429	266,229
Interest and Fiscal Charges	186,263	150,517
Total Disbursements	16,010,700	18,786,745
Increase in Net Assets	1,478,742	30,471
Net Assets, January 1	12,367,669	12,337,198
Net Assets, December 31	\$ 13,846,411	\$ 12,367,669

On an overall basis, expenditures decreased by \$2,776,045 from 2006 because of decreases in capital outlay in the General Fund, Fire/EMS Fund and the Administration Building Fund. Receipts decreased by \$1,327,774 from 2006 because there were no proceeds from a capital lease in 2007.

Program receipts represent only 9 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and EMS receipts.

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

General receipts represent 91 percent of the Township's total receipts, and of this amount, approximately 75 percent are property taxes and other local taxes. Local government funds, hotel/motel occupancy tax, estate tax, miscellaneous receipts, and interest income make up the balance of the Township's general receipts.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of the board of trustees, the administrator's office, finance, human resources, and planning and zoning. Since these costs do not represent direct services to residents, the Township tries to limit these costs to 10 percent of General Fund unrestricted receipts. Public safety is the cost of police, fire and EMS protection. Public works is the cost of road maintenance, building maintenance, and vehicle maintenance. Health is the cost of trash collection and disposal. Economic development is the cost of promoting industrial and commercial growth. Conservation-recreation is the cost of maintaining the parks.

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 public safety, health, and public works, which account for 60, 9 and 8 percent of all governmental disbursements, respectively. General government also represents a significant cost of about 10 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and/or grants received by the Township that must be used to provide a specific service. The Net (Disbursement) Receipt column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service, which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts, which are presented at the bottom of the Statement.

A comparison between the total cost of services and the net cost is presented in Table 3 for 2007.

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007
	<u>2007</u>	<u>2007</u>
General Government	\$ 1,598,551	\$ (1,421,933)
Public Safety	9,534,234	(8,553,918)
Public Works	1,214,373	(1,200,637)
Health	1,507,861	(1,507,861)
Economic Development	265,095	(77,157)
Conservation-Recreation	259,907	(244,218)
Capital Outlay	1,198,987	(1,036,765)
Debt Service:		
Principal Retirement	245,429	(245,429)
Interest and Fiscal Charges	186,263	(186,263)
Total Expenses	<u>\$ 16,010,700</u>	<u>\$ (14,474,181)</u>

Miami Township
Montgomery 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 90 percent of governmental activities are supported through these general receipts.

The Township's Funds

Total governmental funds had receipts (excluding transfers between funds) of \$18,817,216 and \$17,489,442 for 2006 and 2007 respectively. Disbursements (excluding transfers between funds) were \$18,786,745 and \$16,010,700 respectively.

The greatest change within governmental funds occurred within the General Fund and the Fire/EMS Fund. The General Fund's fund balance increased by \$305,963 because of a decrease in capital outlay. The fund balance of the Fire/EMS Fund increased by \$1,008,341 because of an increase in property taxes resulting from an increase in the voted millage, an increase in EMS transport collections, and a decrease in capital outlay.

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 2007, the Township amended its General Fund budget to reflect changing circumstances surrounding various capital projects which were delayed until 2008.

Final disbursements (excluding transfers) were budgeted at \$2,963,000 while actual disbursements were \$2,228,917. Final budgeted appropriations were decreased by \$1,437,000 from the original budget. Actual spending was \$734,083 less than appropriations. The final result, including other financing sources and uses, was an increase in the budget fund balance of \$219,567 for 2007.

Capital Assets and Debt Administration

Capital Assets

The Township has chosen not to report capital assets and infrastructure.

Debt

Under the cash basis of accounting the Township does not report debt obligations, either long-term or short-term, in the accompanying cash basis financial statements. In order to provide information regarding the Township's debt, the following information is provided.

During prior years, the Township issued various capital leases to provide funding for various capital related items. At December 31, 2007, the Township had \$4,295,800 in capital lease obligations outstanding. During 2007 the Township did not issue any new debt and paid \$245,429 toward the retirement of the leases.

Additional information on the Township's debt can be found in Note 6 to the financial statements.

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

Current Issues

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

The Township is currently working in partnership with other local governments to enhance the area's tax base. The Austin Interchange Project is a joint project involving two other communities and involves the development of an interchange at Austin Pike and Interstate 75. The economic development possibilities are endless and include office and commercial space, hospitality and convention space, as well as some retail space to serve the needs of workers and travelers. Another major economic development project is the Kingsridge Road Project, which involves road improvements to facilitate the construction of a Wal-Mart Super Center. Much of the cost of the improvements will be paid for with developer contributions.

Contacting the Township's Financial Management

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

Miami Township
Montgomery County, Ohio
Statement of Net Assets - Cash Basis
December 31, 2007

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$ 13,846,411
<i>Total Assets</i>	<i>\$ 13,846,411</i>
 Net Assets	
Restricted for:	
Capital Projects	\$ 56,678
Other Purposes	10,957,068
Unrestricted	2,832,665
<i>Total Net Assets</i>	<i>\$ 13,846,411</i>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2007

Assets	General	Police	Fire/EMS	Road and Bridge	Trash	Other Governmental Funds	Total Governmental Funds
Equity in Pooled Cash and Cash Equivalents	\$ 2,832,665	\$ 2,803,860	\$ 3,666,495	\$ 2,887,913	\$ 527,797	\$ 1,127,681	\$ 13,846,411
<i>Total Assets</i>	<u>\$ 2,832,665</u>	<u>\$ 2,803,860</u>	<u>\$ 3,666,495</u>	<u>\$ 2,887,913</u>	<u>\$ 527,797</u>	<u>\$ 1,127,681</u>	<u>\$ 13,846,411</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	\$ 86,396	\$ 99,358	\$ 28,162	\$ 34,461	\$ -	\$ 2,611	\$ 250,988
Unreserved:							
Undesignated, Reported in:							
General Fund	2,746,269	-	-	-	-	-	2,746,269
Special Revenue Funds	-	2,704,502	3,638,333	2,853,452	527,797	1,068,392	10,792,476
Capital Projects Funds	-	-	-	-	-	56,678	56,678
<i>Total Fund Balances</i>	<u>\$ 2,832,665</u>	<u>\$ 2,803,860</u>	<u>\$ 3,666,495</u>	<u>\$ 2,887,913</u>	<u>\$ 527,797</u>	<u>\$ 1,127,681</u>	<u>\$ 13,846,411</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Assets of Governmental Activities
December 31, 2007

Total Governmental Fund Balances	<u>\$ 13,846,411</u>
Net Assets of Governmental Activities	<u><u>\$ 13,846,411</u></u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2007

	General	Police	Fire/EMS	Road and Bridge	Trash	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 211,215	\$ 4,318,652	\$ 4,561,344	\$ 1,533,583	\$ 1,276,376	\$ -	\$ 11,901,170
Income Taxes	-	-	-	-	-	44,987	44,987
Charges for Services	-	29,259	834,628	13,736	-	-	877,623
Licenses, Permits and Fees	84,721	725	525	-	-	-	85,971
Fines and Forfeitures	-	59,179	-	-	-	8,129	67,308
Intergovernmental	1,393,717	523,264	520,532	178,593	138,075	306,414	3,060,595
Special Assessments	47,158	-	-	-	-	115,064	162,222
Payments in Lieu of Taxes	-	-	-	-	-	184,573	184,573
Contributions	-	-	-	-	-	195,498	195,498
Interest	620,551	-	-	-	-	30,962	651,513
Other	136,122	26,622	13,626	933	-	80,679	257,982
<i>Total Receipts</i>	<u>2,493,484</u>	<u>4,957,701</u>	<u>5,930,655</u>	<u>1,726,845</u>	<u>1,414,451</u>	<u>966,306</u>	<u>17,489,442</u>
Disbursements							
Current:							
General Government	1,598,551	-	-	-	-	-	1,598,551
Public Safety	-	4,870,420	4,662,742	-	-	1,072	9,534,234
Public Works	-	-	-	1,214,373	-	-	1,214,373
Health	-	-	-	-	1,507,861	-	1,507,861
Economic Development	-	-	-	-	-	265,095	265,095
Conservation-Recreation	257,205	-	-	-	-	2,702	259,907
Capital Outlay	99,215	280,333	44,899	316,343	-	458,197	1,198,987
Debt Service:							
Principal	59,000	-	186,429	-	-	-	245,429
Interest and Fiscal Charges	128,550	-	28,244	-	-	29,469	186,263
<i>Total Disbursements</i>	<u>2,142,521</u>	<u>5,150,753</u>	<u>4,922,314</u>	<u>1,530,716</u>	<u>1,507,861</u>	<u>756,535</u>	<u>16,010,700</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>350,963</u>	<u>(193,052)</u>	<u>1,008,341</u>	<u>196,129</u>	<u>(93,410)</u>	<u>209,771</u>	<u>1,478,742</u>
Other Financing Sources (Uses)							
Transfers In	-	-	-	-	-	45,000	45,000
Transfers Out	(45,000)	-	-	-	-	-	(45,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(45,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
<i>Net Change in Fund Balances</i>	<u>305,963</u>	<u>(193,052)</u>	<u>1,008,341</u>	<u>196,129</u>	<u>(93,410)</u>	<u>254,771</u>	<u>1,478,742</u>
<i>Fund Balances Beginning of Year</i>	<u>2,526,702</u>	<u>2,996,912</u>	<u>2,658,154</u>	<u>2,691,784</u>	<u>621,207</u>	<u>872,910</u>	<u>12,367,669</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,832,665</u>	<u>\$ 2,803,860</u>	<u>\$ 3,666,495</u>	<u>\$ 2,887,913</u>	<u>\$ 527,797</u>	<u>\$ 1,127,681</u>	<u>\$ 13,846,411</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio

*Reconciliation of the Statement of Cash Receipts, Disbursements and Changes
in Cash Basis Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007*

Net Change in Fund Balances - Total Governmental Funds	<u>\$ 1,478,742</u>
Change in Net Assets of Governmental Activities	<u>\$ 1,478,742</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
General Fund
For the Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 265,871	\$ 265,871	\$ 211,215	\$ (54,656)
Licenses, Permits and Fees	83,000	57,250	84,721	27,471
Intergovernmental	1,600,000	1,320,333	1,393,717	73,384
Special Assessments	50,000	50,000	47,158	(2,842)
Contributions	1,250,000	-	-	-
Interest	610,000	570,448	620,551	50,103
Other	146,250	146,000	136,122	(9,878)
<i>Total receipts</i>	<u>4,005,121</u>	<u>2,409,902</u>	<u>2,493,484</u>	<u>83,582</u>
Disbursements				
Current:				
General Government	2,191,687	2,073,547	1,670,821	402,726
Conservation-Recreation	277,265	277,265	262,019	15,246
Capital Outlay	1,610,759	423,388	108,527	314,861
Debt Service:				
Principal	59,000	59,000	59,000	-
Interest and Fiscal Charges	261,289	129,800	128,550	1,250
<i>Total Disbursements</i>	<u>4,400,000</u>	<u>2,963,000</u>	<u>2,228,917</u>	<u>734,083</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	(394,879)	(553,098)	264,567	817,665
Other Financing Sources (Uses)				
Notes Issued	900,000	-	-	-
Transfers Out	-	(45,000)	(45,000)	-
<i>Total Other Financing Sources (Uses)</i>	<u>900,000</u>	<u>(45,000)</u>	<u>(45,000)</u>	<u>-</u>
<i>Net Change in Fund Balance</i>	505,121	(598,098)	219,567	817,665
<i>Fund Balance Beginning of Year</i>	2,422,854	2,422,854	2,422,854	-
Prior Year Encumbrances Appropriated	<u>103,848</u>	<u>103,848</u>	<u>103,848</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 3,031,823</u>	<u>\$ 1,928,604</u>	<u>\$ 2,746,269</u>	<u>\$ 817,665</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Police Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 3,787,065	\$ 3,787,065	\$ 4,318,652	\$ 531,587
Charges for Services	15,000	35,000	29,259	(5,741)
Licenses, Permits and Fees	550	1,000	725	(275)
Fines and Forfeitures	46,000	65,000	59,179	(5,821)
Intergovernmental	492,613	991,613	523,264	(468,349)
Other	31,000	50,000	26,622	(23,378)
<i>Total receipts</i>	4,372,228	4,929,678	4,957,701	28,023
Disbursements				
Current:				
Public Safety	5,054,833	5,034,833	4,918,913	115,920
Capital Outlay	355,167	355,167	331,198	23,969
<i>Total Disbursements</i>	5,410,000	5,390,000	5,250,111	139,889
<i>Net Change in Fund Balance</i>	(1,037,772)	(460,322)	(292,410)	167,912
<i>Fund Balance Beginning of Year</i>	2,896,254	2,896,254	2,896,254	-
Prior Year Encumbrances Appropriated	100,658	100,658	100,658	-
<i>Fund Balance End of Year</i>	\$ 1,959,140	\$ 2,536,590	\$ 2,704,502	\$ 167,912

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Fire/EMS Fund
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 4,121,341	\$ 4,121,341	\$ 4,561,344	\$ 440,003
Charges for Services	651,000	750,000	834,628	84,628
Licenses, Permits and Fees	-	-	525	525
Intergovernmental	479,000	479,000	520,532	41,532
Other	47,000	14,000	13,626	(374)
<i>Total receipts</i>	5,298,341	5,364,341	5,930,655	566,314
Disbursements				
Current:				
Public Safety	5,055,919	5,165,428	4,690,904	474,524
Capital Outlay	29,408	44,899	44,899	-
Debt Service:				
Principal	186,429	186,429	186,429	-
Interest and Fiscal Charges	28,244	28,244	28,244	-
<i>Total Disbursements</i>	5,300,000	5,425,000	4,950,476	474,524
<i>Net Change in Fund Balance</i>	(1,659)	(60,659)	980,179	1,040,838
<i>Fund Balance Beginning of Year</i>	2,635,688	2,635,688	2,635,688	-
Prior Year Encumbrances Appropriated	22,466	22,466	22,466	-
<i>Fund Balance End of Year</i>	\$ 2,656,495	\$ 2,597,495	\$ 3,638,333	\$ 1,040,838

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Property and Other Local Taxes	\$ 1,413,539	\$ 1,413,539	\$ 1,533,583	\$ 120,044
Charges for Services	-	-	13,736	13,736
Intergovernmental	129,908	129,908	178,593	48,685
Other	30,000	138	933	795
<i>Total receipts</i>	<u>1,573,447</u>	<u>1,543,585</u>	<u>1,726,845</u>	<u>183,260</u>
Disbursements				
Current:				
Public Works	1,055,000	1,315,000	1,248,834	66,166
Capital Outlay	545,000	325,000	316,343	8,657
<i>Total Disbursements</i>	<u>1,600,000</u>	<u>1,640,000</u>	<u>1,565,177</u>	<u>74,823</u>
<i>Net Change in Fund Balance</i>	(26,553)	(96,415)	161,668	258,083
<i>Fund Balance Beginning of Year</i>	2,494,509	2,494,509	2,494,509	-
Prior Year Encumbrances Appropriated	197,275	197,275	197,275	-
<i>Fund Balance End of Year</i>	<u>\$ 2,665,231</u>	<u>\$ 2,595,369</u>	<u>\$ 2,853,452</u>	<u>\$ 258,083</u>

See accompanying notes to the basic financial statements

Miami Township
Montgomery County, Ohio
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual - Budget Basis
Trash Fund
For the Year Ended December 31, 2007

	<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	\$ 1,123,470	\$ 1,123,470	\$ 1,276,376	\$ 152,906
Intergovernmental	140,000	140,000	138,075	(1,925)
<i>Total receipts</i>	<u>1,263,470</u>	<u>1,263,470</u>	<u>1,414,451</u>	<u>150,981</u>
Disbursements				
Current:				
Health	<u>1,500,000</u>	<u>1,530,000</u>	<u>1,507,861</u>	<u>22,139</u>
<i>Total Disbursements</i>	<u>1,500,000</u>	<u>1,530,000</u>	<u>1,507,861</u>	<u>22,139</u>
<i>Net Change in Fund Balance</i>	(236,530)	(266,530)	(93,410)	173,120
<i>Fund Balance Beginning of Year</i>	618,978	618,978	618,978	-
Prior Year Encumbrances Appropriated	<u>2,229</u>	<u>2,229</u>	<u>2,229</u>	-
<i>Fund Balance End of Year</i>	<u>\$ 384,677</u>	<u>\$ 354,677</u>	<u>\$ 527,797</u>	<u>\$ 173,120</u>

See accompanying notes to the basic financial statements

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007**

1. REPORTING ENTITY

Miami Township, Montgomery County, (the Township), is a body politic and corporate established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides road and bridge maintenance, police protection, fire protection and emergency medical services, and trash collection.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

Based on these criteria, the Township has no component units.

C. Public Entity Risk Pools

The Township participates in one public entity risk pool, the Ohio Township Association Risk Management Authority (OTARMA). Note 10 to the financial statements provides additional information for this entity.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2. C, these financial statements are presented on the 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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

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. All activities of the Township are governmental activities.

The statement of net assets presents the cash 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 function or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Non-major 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. All of the Township's funds are categorized as governmental.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

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 as follows:

1. General 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.

2. Police and Fire/EMS Funds

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

3. Road and Bridge Fund

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

4. Trash Fund

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

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. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

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.

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 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".

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 \$620,551.

F. Restricted Assets

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. There are no restricted assets.

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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

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. Interfund Receivables/Payables

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

J. 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.

K. 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 and for postretirement health care benefits.

L. 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.

M. 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 special revenue funds whose resources are restricted for road and bridge repairs and maintenance, police and fire protection, and EMS services, which were generated by levies. 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.

N. 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. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

O. 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

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

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.

P. Total Columns on Financial Statements

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

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 Statements of Receipts, Disbursements and Changes in Fund Balance - Budget and Actual - Budgetary Basis presented for the General, Police, Fire/EMS, Road and Bridge, and Trash Funds are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the cash basis is due to outstanding year end encumbrances, which are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$86,396 for the General Fund, \$99,358 for the Police Fund, \$28,162 for the Fire/EMS Fund, \$34,461 for the Road and Bridge Fund and \$0 for the Trash Fund.

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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(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's deposits may not be returned. Protection of Township's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC) as well as qualified securities pledged by the institution holding the assets. Any public depository in which the Township places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the FDIC. The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105 percent of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. At year-end, the carrying amount of the Township's deposits was \$4,072,037 and the bank balance was

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

\$4,087,717. FDIC covered \$2,663,000 of the bank balance and \$1,424,717 was uninsured. Of the remaining uninsured bank balance, the Township was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging financial institution's trust department	<u>\$1,424,717</u>

Investments

As of December 31, 2007, the Township had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in years)</u>		
		<u>Less than 1</u>	<u>1- 5</u>	<u>5+</u>
FHLB	\$1,008,222	\$ 108,222	\$ 900,000	\$ -
FHLMC	151,680	-	-	151,680
FNMA	175,636	-	175,636	-
Money Market Fund	780,875	780,875	-	-
STAR Ohio	2,041,951	2,041,951	-	-
GNMA	<u>5,616,010</u>	<u>2,559</u>	-	<u>5,613,451</u>
Total investments	<u>\$9,774,374</u>	<u>\$2,933,607</u>	<u>\$1,075,636</u>	<u>\$5,765,131</u>

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

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

Concentration of Credit Risk – The Township has no investment policy dealing with concentration of credit risk beyond the requirements in state statutes. At December 31, 2007, 58 percent of the Township's investments were GNMA.

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

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

5. PROPERTY TAX

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 2007 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.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$18.90 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:

	<u>Assessed Value</u>
Real Property	\$628,787,320
Public Utility Property	14,684,400
Tangible Personal Property	35,568,248
Total Assessed Value	<u>\$679,039,968</u>

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

6. DEBT

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

<u>Governmental Activities</u>	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Due Within One Year
Capital Leases:					
2004 Fire/EMS Equipment	\$ 12,323	\$ -	\$ 12,323	\$ -	\$ -
2005 Administration Building	3,060,000	-	59,000	3,001,000	61,000
2006 Aerial Fire Apparatus	550,319	-	128,322	421,997	134,306
2006 Medic	93,587	-	45,784	47,803	47,803
2006 Real Property	825,000	-	-	825,000	825,000
Total	<u>\$4,541,229</u>	<u>\$ -</u>	<u>245,429</u>	<u>\$4,295,800</u>	<u>\$1,068,109</u>

During 2005, the Township entered into a capital lease for the construction of an administration building in the amount of \$3,118,000. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2008	\$ 189,029
2009	189,108
2010	189,123
2011	188,946
2012	188,702
2013 - 2017	945,053
2018 - 2022	946,648
2023 - 2027	944,899
2028 - 2032	944,880
2033 - 2035	<u>567,955</u>
Total minimum lease payments	5,294,343
Less: amount representing interest	(2,258,343)
Less: amount representing fees	<u>(35,000)</u>
Present value of future minimum lease payments	<u>\$3,001,000</u>

During 2006, the Township entered into a capital lease for an aerial fire apparatus in the amount of \$688,435. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2008	\$152,230
2009	152,230
2010	<u>152,228</u>
Total minimum lease payments	456,688
Less: amount representing interest	<u>(34,691)</u>
Present value of future minimum lease payments	<u>\$421,997</u>

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

During 2006, the Township entered into a capital lease for a medic in the amount of \$139,665. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2008	<u>\$ 49,911</u>
Total minimum lease payments	49,911
Less: amount representing interest	<u>(2,108)</u>
Present value of future minimum lease payments	<u>\$ 47,803</u>

In December 2006, the Township entered into a capital lease for the purchase of real property, which will be used as part of a transportation project. Semi annual interest payments will be made through 2008 with a principal payment of \$825,000 due December 1, 2008. Amortization of the remaining lease, including interest, is scheduled as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2008	<u>\$ 856,763</u>
Total minimum lease payments	856,763
Less: amount representing interest	<u>(31,763)</u>
Present value of future minimum lease payments	<u>\$ 825,000</u>

7. TRANSFERS

During 2007 the General Fund transferred \$45,000 to the Kingsridge/Dayton Mall Fund to provide project funding.

8. DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

Plan Description – 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. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension 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

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
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obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2007, members in state and local classifications contributed 9.5% of covered payroll and law enforcement members contributed 10.1%.

The Township's contribution rate for 2007 was 13.85 percent, except for those plan members in law enforcement, for whom the Township's contribution was 17.17 percent of covered payroll. For the period January 1 through June 30, a portion of the Township's contribution equal to 5 percent of covered payroll was allocated to fund the post-employment health care plan; for the period July 1 through December 31, 2007 this amount was increased to 6 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the Township of 14 percent, except for law enforcement, where the maximum employer contribution rate is 18.1 percent.

The Township's required contributions OPERS for the years ended December 31, 2007, 2006, and 2005 were \$705,595, \$653,451 and \$621,398 respectively, which were equal to the required contributions for each year..

Ohio Police and Fire Pension Fund

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

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations. The Township's contribution was 24 percent for firefighters. Contribution rates are established by State statute. For 2007, a portion of the Township's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The Township's pension contributions to OP&F for firefighters for the years ended December 31, 2007, 2006 and 2005 were \$473,259, \$422,670 and \$404,439, respectively. All of the required contributions were paid within the respective years.

9. POST-EMPLOYMENT BENEFITS

Plan Description – OPERS maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension plans. Members of the member directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

To qualify for post-employment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2007, local government employers contributed 13.85 percent of covered payroll (17.17 percent for law enforcement). Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of the employer contributions which was allocated to fund post-employment health care was 5.00 percent of covered payroll from January 1 through June 30, 2007, and 6.00 percent from July 1 to December 31, 2007.

The retirement board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The Township's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2007, 2006, and 2005 were \$250,211, \$192,003 and \$164,337 respectively. All of the required contributions were paid within the respective years.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan which was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

Plan Description – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium reimbursement and long term care to retirees, qualifying benefit recipients and their eligible dependents. OP&F provides access to post-retirement healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide healthcare coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – OP&F’s post-employment healthcare plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.00 percent of covered payroll for fire employers.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree healthcare benefits. For the year ended December 31, 2007, the employer contribution allocated to the healthcare plan was 6.75% of covered payroll. The amount of employer contributions allocated to the healthcare plan each year is subject to the trustees’ primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the healthcare plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the OPEB Plan.

The Township’s contributions to OP&F which were allocated to fund post-employment health care benefits for firefighters were \$133,104, \$136,487 and \$130,600 for the years ended December 31, 2007, 2006 and 2005 respectively, which were equal to the required contributions for each year.

10. RISK MANAGEMENT

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

Casualty Coverage

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. 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.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
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DECEMBER 31, 2007
(continued)**

If losses exhaust APEEP'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 (prior to January 1, 2006) or \$3,000,000 (on or subsequent to January 1, 2006).

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. This amount increased to \$300,000 in 2007. For 2007, 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 values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, or \$100,000 and \$300,000 in 2007, 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 government.

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 (the latest information available).

	<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, and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and December 31, 2006, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$264,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates 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 annual 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:

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

<u>Year</u>	<u>Contribution</u>
2005	\$146,062
2006	158,607
2007	131,824

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 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.

11. RELATED ORGANIZATIONS

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

The Miami Township – City of Dayton Joint Economic Development District is a political body incorporated and established by the Township Board of Trustees and the City Commission under the provisions of Sections 715.72 to 715.83 of the Ohio Revised Code, on January 1, 2006. The District operates under the direction of a five member Board of Directors. By law the Board is comprised of one member representing the City, appointed by the City Commission; one member representing the Township, appointed by the Township Trustees; one member representing the owners of the businesses located in the District, appointed by the City Commission with the concurrence of the Township Trustees; one member representing the persons employed in the District, appointed by the Township Trustees with the concurrence of the City Commission; and one member selected by the other Board members. The District's purpose is to promote economic development activities in the geographic area comprising the District. Such area is located in Miami Township and includes the Dayton - Wright Brothers Airport, which is owned by the City of Dayton.

12. RECLASSIFICATION OF FUNDS

Beginning in 2007, the Township has reclassified the Waldruhe Park Trust Fund that receives unrestricted donations and gifts for the operation and maintenance of Waldruhe Park, as a governmental fund type. This fund was previously reported as a fiduciary fund type. The reclassification of this fund had the following effect on fund cash balances as of January 1, 2007:

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>
Amounts previously reported as of December 31, 2006	\$12,176,776	\$190,893
Reclassification of funds	<u>190,893</u>	<u>(190,893)</u>
Amounts restated as of January 1, 2007	<u>\$12,367,669</u>	<u>\$ -</u>

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
NOTES TO FINANCIAL SECTION
DECEMBER 31, 2007
(continued)**

13. COMPLIANCE

At December 31, 2007, the Township held \$5,767,690 in derivative securities of which \$5,765,131 have maturities in excess of five years. Derivative securities are not eligible investments for the Township under Ohio law and investments with maturities in excess of five years are in violation of the Township's investment policies and not in accordance with Ohio law.

Bastin & Company, LLC

Certified Public Accountants

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

The Honorable Members of the Board of Trustees
Miami Township, Montgomery County

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Miami Township (the Township), Montgomery County, Ohio as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 29, 2009 wherein we noted that the Township's financial statements follow the cash accounting basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2007-01.

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, express no opinion on it.

This report is intended solely for the information and use of the management and Township Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Bastin & Company, LLC". The signature is written in black ink on a light-colored background.

Cincinnati, Ohio
June 29, 2009

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
SCHEDULE OF FINDINGS
DECEMBER 31, 2007**

Finding Number 2007-01

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

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

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

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

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

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

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

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

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

The Township maintained investments in mortgage-backed securities with a carrying value at December 31, 2007 value of \$5,767,690 of which \$5,765,131 have maturities in excess of five years.

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

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

Miami Township's Response

The Township is in the process of selling these types of investments when market conditions allow doing so without recognizing a loss. As of May 31, 2009 the Township has been able to reduce its related investment balances to \$3,591,506.

**MIAMI TOWNSHIP
MONTGOMERY COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007**

Finding Number	Finding Summary	Fully Corrected?	Status Explanation:
2006-01	Ohio Revised Code 135.14 (B)(1)(2) and 135.14(C) ineligible investments	No	Repeated as finding Number 2007-01



Mary Taylor, CPA
Auditor of State

MIAMI TOWNSHIP
MONTGOMERY COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 17, 2009