

**MIAMI TOWNSHIP
CLERMONT COUNTY, OHIO**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2005 AND 2004**



Mary Taylor, CPA

Auditor of State

Board of Trustees
Miami Township
6101 Meijer Drive
Milford, Ohio 45150

We have reviewed the *Independent Auditors' Report* of Miami Township, Clermont County, prepared by Bastin & Company, LLC, for the audit period January 1, 2004 through December 31, 2005. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Independent Auditors' Report* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Independent Auditors' Report* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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.

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

Mary Taylor, CPA
Auditor of State

March 26, 2007

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**MIAMI TOWNSHIP
CLERMONT COUNTY, OHIO**

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Bastin & Company, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Miami Township
Clermont County
6101 Meijer Drive
Milford, OH 45150

We have audited the accompanying financial statements of Miami Township, Clermont County, Ohio, (the Township) as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 described more fully in Note 1, the Township has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2006, on our consideration of the Township's internal control over financial reporting and on 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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
December 5, 2006

**MIAMI TOWNSHIP
CLERMONT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For The Year Ended December 31, 2005**

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| <i>Cash Receipts:</i> | | | | |
| Local Taxes | \$ 523,896 | \$10,952,036 | \$ - | \$11,475,932 |
| Intergovernmental Receipts | 727,053 | 1,630,574 | - | 2,357,627 |
| Special Assessment | - | 222,377 | - | 222,377 |
| Charges for Services | - | 40,239 | - | 40,239 |
| Licenses, Permits and Fees | 246,650 | 158,787 | - | 405,437 |
| Fines, Forfeitures, and Penalties | 41,288 | - | - | 41,288 |
| Earnings on Investments | 43,022 | 15,229 | - | 58,251 |
| Other Revenue | <u>360,096</u> | <u>336,198</u> | - | <u>696,294</u> |
| Total Cash Receipts | <u>1,942,005</u> | <u>13,355,440</u> | <u>-</u> | <u>15,297,445</u> |
| <i>Cash Disbursements:</i> | | | | |
| Current: | | | | |
| General Government | 1,349,477 | 300,984 | - | 1,650,461 |
| Public Safety | - | 9,588,804 | - | 9,588,804 |
| Public Works | - | 1,573,032 | - | 1,573,032 |
| Health | - | 49,878 | - | 49,878 |
| Conservation - Recreation | 488,536 | 493,731 | - | 982,267 |
| Capital Outlay | 847,989 | 1,051,110 | 25,307 | 1,924,406 |
| Debt Service: | | | | |
| Principal Payments | 44,743 | 485,000 | - | 529,743 |
| Interest and Fiscal Charges | <u>136,985</u> | <u>76,689</u> | - | <u>213,674</u> |
| Total Cash Disbursements | <u>2,867,730</u> | <u>13,619,228</u> | <u>25,307</u> | <u>16,512,265</u> |
| Total Receipts Over (Under) | | | | |
| Disbursements | <u>(925,725)</u> | <u>(263,788)</u> | <u>(25,307)</u> | <u>(1,214,820)</u> |
| <i>Other Financing Receipts (Disbursements):</i> | | | | |
| Proceeds from Capital Leases | 364,310 | - | - | 364,310 |
| Transfers - In | - | 205,607 | - | 205,607 |
| Transfers - Out | - | (205,607) | - | (205,607) |
| Advances - In | - | 480,000 | - | 480,000 |
| Advances - Out | (280,000) | (200,000) | - | (480,000) |
| Other Sources | <u>-</u> | <u>75,847</u> | <u>-</u> | <u>75,847</u> |
| Total Other Financing Receipts (Disbursements) | <u>84,310</u> | <u>355,847</u> | <u>-</u> | <u>440,157</u> |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements | (841,415) | 92,059 | (25,307) | (774,663) |
| Fund Cash Balance, January 1, 2005 | <u>2,879,403</u> | <u>2,232,805</u> | <u>25,307</u> | <u>5,137,515</u> |
| Fund Cash Balance, December 31, 2005 | <u>\$2,037,988</u> | <u>\$2,324,864</u> | <u>\$ -</u> | <u>\$4,362,852</u> |
| Reserves for Encumbrances, December 31, 2005 | <u>\$ 10,871</u> | <u>\$ 64,885</u> | <u>\$ -</u> | <u>\$ 75,756</u> |

The accompanying notes are an integral part of these financial statements.

**MIAMI TOWNSHIP
CLERMONT COUNTY
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES
IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
For The Year Ended December 31, 2004**

| | Governmental Fund Types | | | Totals (Memorandum Only) |
|--|-------------------------|--------------------|---------------------|--------------------------------|
| | General | Special Revenue | Capital Projects | |
| <i>Cash Receipts:</i> | | | | |
| Local Taxes | \$ 611,978 | \$10,306,617 | \$40,302 | \$10,958,897 |
| Intergovernmental Receipts | 1,823,040 | 1,966,847 | - | 3,789,887 |
| Special Assessment | - | 215,056 | - | 215,056 |
| Charges for Services | - | 87,675 | - | 87,675 |
| Licenses, Permits and Fees | 212,837 | 182,878 | - | 395,715 |
| Fines, Forfeitures, and Penalties | 40,999 | 15,058 | - | 56,057 |
| Earnings on Investments | 34,325 | 4,561 | 126 | 39,012 |
| Other Revenue | <u>448,075</u> | <u>252,299</u> | <u>-</u> | <u>700,374</u> |
| Total Cash Receipts | <u>3,171,254</u> | <u>13,030,991</u> | <u>40,428</u> | <u>16,242,673</u> |
| <i>Cash Disbursements:</i> | | | | |
| Current: | | | | |
| General Government | 1,269,934 | 324,704 | - | 1,594,638 |
| Public Safety | - | 9,783,405 | - | 9,783,405 |
| Public Works | - | 1,928,980 | - | 1,928,980 |
| Health | - | 41,003 | - | 41,003 |
| Conservation - Recreation | 579,309 | 391,746 | - | 971,055 |
| Capital Outlay | 2,164,982 | 1,195,075 | 510,001 | 3,870,058 |
| Debt Service: | | | | |
| Principal Payments | 20,269 | 495,192 | - | 515,461 |
| Interest and Fiscal Charges | <u>385</u> | <u>76,878</u> | <u>-</u> | <u>77,263</u> |
| Total Cash Disbursements | <u>4,034,879</u> | <u>14,236,983</u> | <u>510,001</u> | <u>18,781,863</u> |
| Total Receipts Over (Under) | | | | |
| Disbursements | <u>(863,625)</u> | <u>(1,205,992)</u> | <u>(469,573)</u> | <u>(2,539,190)</u> |
| <i>Other Financing Receipts (Disbursements):</i> | | | | |
| Proceeds from Sale of Bonds | 3,250,000 | - | - | 3,250,000 |
| Transfers - In | - | 64,926 | - | 64,926 |
| Transfers - Out | (17,130) | (47,796) | - | (64,926) |
| Advances - In | - | 62,668 | - | 62,668 |
| Advances - Out | - | (62,668) | - | (62,668) |
| Other Sources | <u>-</u> | <u>73,949</u> | <u>-</u> | <u>73,949</u> |
| Total Other Financing Receipts (Disbursements) | <u>3,232,870</u> | <u>91,079</u> | <u>-</u> | <u>3,323,949</u> |
| Excess of Cash Receipts and Other Financing Receipts Over (Under) Cash Disbursements And Other Financing Disbursements | 2,369,245 | (1,114,913) | (469,573) | 784,759 |
| Fund Cash Balance, January 1, 2004 | <u>510,158</u> | <u>3,347,718</u> | <u>494,880</u> | <u>4,352,756</u> |
| Fund Cash Balance, December 31, 2004 | <u>\$2,879,403</u> | <u>\$2,232,805</u> | <u>\$ 25,307</u> | <u>\$5,137,515</u> |
| Reserves for Encumbrances, December 31, 2004 | <u>\$ 142,653</u> | <u>\$ 792,944</u> | <u>\$ 17,630</u> | <u>\$ 953,227</u> |

The accompanying notes are an integral part of these financial statements.

**MIAMI TOWNSHIP
CLERMONT COUNTY
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2005 and 2004**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

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

U.S. Treasury Bonds and money market investments are valued at cost.

D. Fund Accounting

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Funds

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

Police Fund - This fund receives tax money for the operating expenses incurred by the police department for the Township.

Fire Fund – This fund receives tax money to provide for operations of fire department services for the Township.

Ambulance Fund - This fund receives tax money to provide emergency medical services to the Township.

Road and Bridge Fund – This fund receives tax money to provide for road and bridge maintenance for the Township.

Park Fund – This fund receives tax money to provide for operations and maintenance of parks for the Township.

Safety Services Fund – This fund receives tax levy money to provide for operations of safety service departments; Fire, EMS and Police for the Township.

3. Capital Project Fund

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

TIF Fund – This fund receives the proceeds of the Road Improvement Bonds and accounts for construction costs related to the project.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function and object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year-end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

3. Encumbrances

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

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

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

H. 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. Interfund type eliminations have not been made in the aggregation of this data.

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

| | <u>2005</u> | <u>2004</u> |
|--------------------------------|--------------------|--------------------|
| Deposits: | | |
| Demand deposits | <u>\$2,229,694</u> | <u>\$2,152,711</u> |
| Investments: | | |
| Money Market | 6,489 | 603,006 |
| Federal Securities | <u>2,126,669</u> | <u>2,381,798</u> |
| Total deposits and investments | <u>\$4,362,852</u> | <u>\$5,137,515</u> |

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: U.S. Treasury Bonds are held in book-entry form by the Federal Reserve, in the name of the Township's financial institution. The financial institution maintains records identifying the Township as owner of these securities. Money market investments are not evidenced by securities that exist in physical or book-entry form.

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2005 and 2004 follows:

| 2005 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|----------------------|-----------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 2,305,294 | \$ 2,306,315 | \$ 1,021 |
| Special Revenue | 14,115,893 | 14,116,894 | 1,001 |
| Capital Projects | 0 | 0 | 0 |
| Total | <u>\$ 16,421,187</u> | <u>\$ 16,423,209</u> | <u>\$ 2,022</u> |

| 2005 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|---------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 4,826,251 | \$ 3,158,601 | \$ 1,667,650 |
| Special Revenue | 16,348,700 | 14,089,720 | 2,258,980 |
| Capital Projects | 25,307 | 25,307 | 0 |
| Total | <u>\$ 21,200,258</u> | <u>\$ 17,273,628</u> | <u>\$ 3,926,630</u> |

| 2004 Budgeted vs. Actual Receipts | | | |
|-----------------------------------|----------------------|----------------------|---------------------|
| Fund Type | Budgeted Receipts | Actual Receipts | Variance |
| General | \$ 6,294,230 | \$ 6,421,254 | \$ 127,024 |
| Special Revenue | 13,845,442 | 13,232,534 | (612,908) |
| Capital Projects | 0 | 40,428 | 40,428 |
| Total | <u>\$ 20,139,672</u> | <u>\$ 19,694,216</u> | <u>\$ (445,456)</u> |

| 2004 Budgeted vs. Actual Budgetary Basis Expenditures | | | |
|---|-------------------------|------------------------|---------------------|
| Fund Type | Appropriation Authority | Budgetary Expenditures | Variance |
| General | \$ 6,805,194 | \$ 4,194,662 | \$ 2,610,532 |
| Special Revenue | 17,191,275 | 15,140,391 | 2,050,884 |
| Capital Projects | 495,960 | 527,631 | (31,671) |
| Total | <u>\$ 24,492,429</u> | <u>\$ 19,862,684</u> | <u>\$ 4,629,745</u> |

4. COMPLIANCE

Ohio Rev. Code, Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established. As of December 31, 2004 the Township had a deficit cash balance of \$46,954 in the Byrne Memorial Fund. A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned fund.

In 2004, expenditures exceeded appropriations in the Motor Vehicle License Fund by \$3,595, FEMA Reimbursement Grant Fund by \$153,965, EMS Computer Grant Fund by \$2,125, Byrne Memorial Fund by \$46,903 and the TIFF # 1 Construction Fund by \$31,671.

5. RECLASSIFICATION OF FUNDS

Beginning in 2004, the Township has reclassified a fund related to a tax increment financing project as a special revenue fund. This fund was previously reported as a debt service fund. The reclassification of this fund had the following effect on fund cash balances:

| | Special Revenue <u>Funds</u> | Debt Service <u>Funds</u> |
|---|------------------------------------|---------------------------------|
| Amounts previously reported as of December 31, 2003 | \$3,353,460 | (\$5,742) |
| Reclassification of funds | <u>(5,742)</u> | <u>5,742</u> |
| Amounts restated as of January 1, 2004 | <u>\$3,347,718</u> | <u>\$ -</u> |

6. PROPERTY TAX

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Village.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

7. DEBT

Debt outstanding at December 31, 2005 was as follows:

| | <u>Principal</u> | <u>Interest Rate</u> |
|--|---------------------|----------------------|
| 2001 General Obligation Fire Apparatus Notes | \$ 390,000 | 4.10% |
| 2003 Road Improvement Bonds | 965,000 | 1.40-4.75% |
| 2004 Various Purpose Limited Tax Gen. Oblig. Bonds | <u>3,250,000</u> | 2.75-5.0% |
| Total | <u>\$ 4,605,000</u> | |

The General Obligation Fire Apparatus Note, 2001, is for the purpose of purchasing a fire aerial truck. The note will be repaid over ten years with a principal amount of \$32,500 paid biannually. The note is secured by a tax levy.

The Road Improvement Bonds, 2003 (a tax increment financing project), is for the purpose of improving the Township's public streets. The bonds will be repaid over twenty years. The bonds are collateralized by revenue submitted to the Township from Clermont County by the benefiting companies.

The Various Purpose Limited Tax General Obligation Bonds, 2004, are for the purpose of acquiring and constructing improvements to a township building for use by the township and constructing road improvements, and paying permissible costs of issuance. Repayment of the bonds and interest is

expected to be repaid from TIF revenues. The bonds carry interest rates from 2.75 percent to a maximum of 5.0 percent and are payable over 25 years.

The amortization of the above remaining debt, including interest, is scheduled as follows:

| Year ending December 31: | 2001 General Obligation Fire Apparatus Notes | 2003 Road Improvement Bonds | 2004 Various Purpose General Obligation Bonds |
|-----------------------------|--|-----------------------------------|---|
| 2006 | \$ 80,324 | \$ 73,400 | \$ 132,371 |
| 2007 | 77,659 | 77,770 | 217,371 |
| 2008 | 74,993 | 76,870 | 215,034 |
| 2009 | 71,729 | 85,790 | 222,696 |
| 2010 | 69,664 | 84,290 | 214,846 |
| 2011-2015 | 66,999 | 394,575 | 1,105,706 |
| 2016-2020 | - | 385,485 | 1,119,387 |
| 2021-2025 | - | 224,712 | 1,140,003 |
| 2026-2029 | - | - | 951,017 |
| Total | \$ 441,368 | \$ 1,402,892 | \$ 5,318,431 |

8. CAPITAL LEASES

During 2005 the Township entered into a long-term lease to finance the purchase of park equipment. The terms of the lease provide for an initial amount totaling \$124,137 with the first payment to begin May 15, 2005. The lease includes an interest factor of 3.99 percent. Semi-annual lease payments of \$13,816 are due on May 15 and November 15.

The Township's future minimum payments under the park equipment capital lease obligation as of December 31, 2005 are as follows:

| <u>Year Ended December 31</u> | <u>Amount</u> |
|--|------------------|
| 2006 | \$27,632 |
| 2007 | 27,632 |
| 2008 | 27,632 |
| 2009 | <u>27,633</u> |
| Total minimum lease payments | 110,529 |
| Less: amount representing interest | <u>(9,297)</u> |
| Present value of future minimum lease payments | <u>\$101,232</u> |

During 2005 the Township entered into a long-term lease/purchase agreement to finance the purchase of telephone equipment. The terms of the lease provide for an initial amount totaling \$240,173 with the first payment to be October 28, 2005. The lease includes an interest factor of 4.192 percent. The lease requires semi-annual lease payments over five years of \$26,872 and is due on October 28 and April 28.

The Township's future minimum payments under the telephone equipment capital lease obligation as of December 31, 2005, are as follows:

| <u>Year Ended December 31</u> | <u>Amount</u> |
|--|------------------|
| 2006 | \$ 53,745 |
| 2007 | 53,745 |
| 2008 | 53,745 |
| 2009 | 53,745 |
| 2010 | <u>26,873</u> |
| Total minimum lease payments | 241,853 |
| Less: amount representing interest | <u>(23,518)</u> |
| Present value of future minimum lease payments | <u>\$218,335</u> |

9. INTERFUND TRANSFERS AND ADVANCES

Transfers represent the (1) allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations or (2) the transfers between various tax increment financing funds that are established for the collection of revenues to funds established for the retirement of related debt.

Advances between funds represent the temporary transfer of money to fund projects or funds prior to the receipt of applicable project funding. Amounts advanced are to be repaid to the fund which initially provided the advance once funding is obtained.

10. RETIREMENT SYSTEMS

The Township's firefighters belong to the Ohio Police and Fire Pension Funds (OP&F). Other full-time employees belong to the Public Employees Retirement System (PERS) of Ohio. OP&F and PERS are cost sharing, multiple-employer plans. These plans provide retirement benefits, including postretirement healthcare and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2005 and 2004, OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24.0 percent of fire participant wages to OP&F. PERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equal to 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

11. RISK MANAGEMENT

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation.

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

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence. APEEP's Guarantee Fund was responsible for losses and loss adjustment expenses exceeding operating contributions.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to their \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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.

Members may withdraw on each anniversary of the date they joined OTARMA. They must provide written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contribution, minus the subsequent year's premium. Also upon withdrawal, payments for all property and casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the withdrawal.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004:

| | | |
|--------------------------|---------------------|---------------------|
| <u>Casualty Coverage</u> | <u>2005</u> | <u>2004</u> |
| Assets | \$30,485,638 | \$28,132,620 |
| Liabilities | <u>(12,344,576)</u> | <u>(11,086,379)</u> |
| Retained earnings | <u>\$18,141,062</u> | <u>\$17,046,241</u> |
| | | |
| <u>Property Coverage</u> | <u>2005</u> | <u>2004</u> |
| Assets | \$9,177,796 | \$7,588,343 |
| Liabilities | <u>(1,406,031)</u> | <u>(543,176)</u> |
| Retained earnings | <u>\$7,771,765</u> | <u>\$7,045,167</u> |

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment.

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
Clermont County
6101 Meijer Drive
Milford, OH 45150

We have audited the accompanying financial statements of Miami Township, Clermont County, Ohio (the Township) as of and for the years ended December 31, 2005 and 2004, and have issued our report thereon dated December 5, 2006 wherein we noted the Township prepared its financial statements using accounting practices the Auditor of State prescribes rather 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to initiate, record, process and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as items 2005 - 03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition described above to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as items 2005 - 01 through 2005 - 02.

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

Bastin & Company, LLC

Cincinnati, Ohio
December 5, 2006

**MIAMI TOWNSHIP
CLERMONT COUNTY
SCHEDULE OF FINDINGS
December 31, 2005 and 2004**

Finding Number 2005 - 01

Noncompliance Citation

Ohio Rev. Code, Section 5705.10 provides that money paid into any fund shall be used only for purposes for which such fund is established.

As of December 31, 2004 the Township had a deficit cash balance in the following fund:

| <u>Fund</u> | <u>Amount</u> |
|---------------------|---------------|
| Byrne Memorial Fund | \$46,954 |

A deficit cash balance indicates money from another fund(s) has been used to pay the obligations of the aforementioned funds.

Township's Response

The negative cash balance that existed in this fund as of December 31, 2004 was corrected during 2005.

FINDING NUMBER 2005 - 02

Noncompliance Citation

Ohio Revised Code Section 5705.41 (B) states that no subdivision shall make any expenditure of money unless it has been lawfully appropriated.

Expenditures exceeded appropriations in the following fund during 2004.

| Fund | Appropriations | Expenditures | Variance |
|--------------------------|----------------|--------------|-----------|
| Motor Vehicle License | \$63,305 | \$66,900 | (\$3,595) |
| FEMA Reimbursement Grant | 386,712 | 540,677 | (153,965) |
| EMS Computer Grant | - | 2,125 | (2,125) |
| Byrne Memorial | - | 46,903 | (46,903) |
| TIFF # 1 Construction | 495,960 | 527,631 | (31,671) |

Township's Response

The Township will more accurately monitor its compliance with the ORC in the future to ensure that expenditures are within amounts appropriated.

FINDING NUMBER 2005 - 03

Reportable Condition

As a result of errors in posting various transactions during the year, numerous adjustments were required to properly prepare the Township's financial statements. The following conditions were noted:

1. Transfers-in/out and advances-in/out were not properly posted to correct accounts resulting in balances to not properly offset each other within the accounting system. This condition required a review and reconciliation to identify correcting amounts.
2. Audit adjustments from prior years were posted to the accounting records as 2004 activity instead of correcting ending balances for the prior year. These entries resulted in accounting records that did not properly state beginning cash balances or current year activities by fund or line items.
3. Debt service expenditures were not properly recorded as debt type expenditures and did not properly record principal and interest amounts, requiring a review and reclassification of debt transactions.
4. The classification of funds by fund type within the accounting system is not consistent with the proper presentation for audit purposes. Reclassifications of funds were required to properly present consolidated data by fund type.
5. During 2004 and 2005 the Township did not update the accounting system to reflect approved budgeted amounts for revenues and appropriations. As a result, data produced by the system did not provide adequate data to monitor budgetary compliance on an ongoing basis.

We believe the above conditions limit the ability of the Township's accounting system to provide correct and timely data to management and other users. The condition of the accounting records has resulted in errors in the preparation of the Township's annual financial statement filing with the State of Ohio and has required additional efforts to identify and make necessary corrections for the preparation of the audited statements.

Township's Response

The Township is aware of the condition of the accounting system and is in the process of taking steps to correct recording issues. Beginning in 2006, a full time finance director with applicable experience has been hired. Additional reviews and interim reporting to the Board of Trustees is being performed.

**MIAMI TOWNSHIP
CLERMONT COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS**

| Finding Number | Finding Summary | Fully Corrected? | Status Explanation: |
|----------------|---|------------------|---|
| 2003-001 | Fiscal Officer failure to properly certify the availability of funds per ORC, Section 5705.41 | Yes | Instances were not noted for the current years under audit. |
| 2003-002 | Improper classifications of receipts and expenses | No | Repeated as part of finding 2005-03 |
| 2003-003 | Accounting system did not reflect final appropriation or estimated resources | No | Repeated as part of finding 2005-03 |
| 2003-004 | Board of Trustees did not receive, review and approve monthly financial reports | Yes | Procedures were implemented during the years under audit |



Mary Taylor, CPA
Auditor of State

MIAMI TOWNSHIP

CLERMONT 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
APRIL 5, 2007**