



Mary Taylor, CPA  
Auditor of State



PIERCE TOWNSHIP  
CLERMONT COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter .....	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2005.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended December 31, 2004.....	6
Notes to the Financial Statements .....	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	15

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

Pierce Township  
Clermont County  
950 Locust Corner Road  
Cincinnati, Ohio 45245

To the Board of Trustees:

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

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

**Mary Taylor, CPA**  
Auditor of State

June 25, 2007

**This page intentionally left blank.**



# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Pierce Township  
Clermont County  
950 Locust Corner Road  
Cincinnati, Ohio 45216

To the Board of Trustees:

We have audited the accompanying financial statements of Pierce 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2007 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

**Mary Taylor, CPA**  
Auditor of State

June 25, 2007

**PIERCE 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Local Taxes	\$229,691	\$2,849,418	\$37,957	\$0	\$3,117,066
Intergovernmental	299,125	1,320,614	177,687		1,797,426
Special Assessments		96,465			96,465
Charges for Services		153,736			153,736
Licenses, Permits, and Fees	83,723	41,943			125,666
Fines, Forfeitures, and Penalties	4,987	3,184			8,171
Earnings on Investments	87,951	1,157	31,688	138	120,934
Payment in Lieu of Taxes		1,717	1,304,868		1,306,585
Other Revenue	10,277	239,134	5,250		254,661
<b>Total Cash Receipts</b>	<u>715,754</u>	<u>4,707,368</u>	<u>1,557,450</u>	<u>138</u>	<u>6,980,710</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	472,197	8,046			480,243
Public Safety		2,926,747			2,926,747
Public Works	6,187	1,217,574			1,223,761
Health	52,309	66,251			118,560
Human Services	5,140				5,140
Contract Services		12,890			12,890
Miscellaneous		96,293	42,624	20,142	159,059
Debt Service:					
Redemption of Principal			612,096		612,096
Interest and Fiscal Charges			334,320		334,320
Capital Outlay	16,068	175,548			191,616
<b>Total Cash Disbursements</b>	<u>551,901</u>	<u>4,503,349</u>	<u>989,040</u>	<u>20,142</u>	<u>6,064,432</u>
<b>Total Receipts Over/(Under) Disbursements</b>	<u>163,853</u>	<u>204,019</u>	<u>568,410</u>	<u>(20,004)</u>	<u>916,278</u>
<b>Other Financing Receipts:</b>					
Other Sources	2,884				2,884
<b>Total Other Financing Receipts</b>	<u>2,884</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,884</u>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements</b>	<u>166,737</u>	<u>204,019</u>	<u>568,410</u>	<u>(20,004)</u>	<u>919,162</u>
<b>Fund Cash Balances, January 1</b>	<u>227,616</u>	<u>1,987,478</u>	<u>1,329,687</u>	<u>21,610</u>	<u>3,566,391</u>
<b>Fund Cash Balances, December 31</b>	<u><b>\$394,353</b></u>	<u><b>\$2,191,497</b></u>	<u><b>\$1,898,097</b></u>	<u><b>\$1,606</b></u>	<u><b>\$4,485,553</b></u>
<b>Reserve for Encumbrances, December 31</b>	<u><b>\$9,054</b></u>	<u><b>\$122,883</b></u>	<u><b>\$3,000</b></u>	<u><b>\$0</b></u>	<u><b>\$134,937</b></u>

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

**PIERCE 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**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts:</b>					
Local Taxes	\$225,484	\$2,811,937	\$37,957	\$0	\$3,075,378
Intergovernmental	226,545	1,077,817	155,397		1,459,759
Special Assessments		175,616			175,616
Charges for Services		46,916			46,916
Licenses, Permits, and Fees	62,616	41,892			104,508
Fines, Forfeitures, and Penalties	4,592	10,306			14,898
Earnings on Investments	32,554	1,124	7,380	3,869	44,927
Payment in Lieu of Taxes			1,152,105		1,152,105
Other Revenue	2,230	175,427			177,657
	<u>554,021</u>	<u>4,341,035</u>	<u>1,352,839</u>	<u>3,869</u>	<u>6,251,764</u>
<b>Cash Disbursements:</b>					
Current:					
General Government	772,253	29,631			801,884
Public Safety		2,642,923			2,642,923
Public Works	5,539	1,308,444			1,313,983
Health	51,272	73,747			125,019
Human Services	15,039				15,039
Contract Services		44,095			44,095
Miscellaneous		2,400		2,575	4,975
Debt Service:					
Redemption of Principal			619,101		619,101
Interest and Fiscal Charges			305,704		305,704
Capital Outlay	12,813	389,838	20,814	639,684	1,063,149
	<u>856,916</u>	<u>4,491,078</u>	<u>945,619</u>	<u>642,259</u>	<u>6,935,872</u>
Total Receipts Over/(Under) Disbursements	<u>(302,895)</u>	<u>(150,043)</u>	<u>407,220</u>	<u>(638,390)</u>	<u>(684,108)</u>
<b>Other Financing Receipts:</b>					
Other Sources	1,163				1,163
	<u>1,163</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,163</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements	(301,732)	(150,043)	407,220	(638,390)	(682,945)
Fund Cash Balances, January 1	529,348	2,137,521	922,467	660,000	4,249,336
<b>Fund Cash Balances, December 31</b>	<b><u>\$227,616</u></b>	<b><u>\$1,987,478</u></b>	<b><u>\$1,329,687</u></b>	<b><u>\$21,610</u></b>	<b><u>\$3,566,391</u></b>
Reserve for Encumbrances, December 31	<u>\$0</u>	<u>\$27,216</u>	<u>\$0</u>	<u>\$0</u>	<u>\$27,216</u>

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

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of the Pierce Township, Clermont County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, cemetery maintenance, fire protection and emergency medical services. The Township contracts with Union Township to provide fire and emergency medical services and New Richmond Fire Department to provide fire protection.

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

**B. Basis of Accounting**

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Cash and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values certificates of deposit and U.S. Treasury Notes at cost. Money market mutual funds (including STAR Ohio) are recorded at share values the mutual funds report.

**D. Fund Accounting**

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

**1. General Fund**

The General Fund reports all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

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

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

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

Police District Fund - This fund receives proceeds from property taxes for police department operations and protection services.

Fire District Fund - This fund receives proceeds from property taxes for fire department and life squad protection and emergency.

**3. Debt Service Fund**

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

Special Assessment Note Fund – This fund receives proceeds from a property assessment for lighting for a newer subdivision.

**4. Capital Project Fund**

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

Tax Increment Financing Capital Projects Fund – This fund is used to account for the proceeds of the Tax Increment Revenue Notes and payment of road improvements and extensions, constructions of utilities and the purchase of property necessary for development. These funds are held on the Township's behalf by the Trustee.

**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 or 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 reappropriated.

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

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

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

**F. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**G. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED CASH AND INVESTMENTS**

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

	2005	2004
Demand deposits	\$2,688,484	\$456,695
Certificates of deposit	0	1,000,000
Total deposits	2,688,484	1,456,695
U.S. Treasury Notes	553,229	34,842
Federal Government Bonds	548,844	901,549
STAR Ohio	694,996	1,173,305
Total investments	1,797,069	2,109,696
Total deposits and investments	\$4,485,553	\$3,566,391

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

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

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

The tax increment revenue notes trust agreement requires the Township to establish several funds that are to be maintained by a Trustee. At December 31, 2005, the Trustee held on the Township's behalf the following amounts, included as assets in the accompanying financial statements:

Fund	2005
TIF Capital Project	\$21,610
TIF Debt Service	917,782

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31 follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$563,510	\$718,638	\$155,128
Special Revenue	4,476,711	4,707,368	230,657
Debt Service	1,444,957	1,557,450	112,493
Capital Projects	0	138	138
Total	\$6,485,178	\$6,983,594	\$498,416

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$791,126	\$560,955	\$230,171
Special Revenue	6,464,188	4,626,232	1,837,956
Debt Service	2,774,644	992,040	1,782,604
Capital Projects	21,610	20,142	1,468
Total	\$10,051,568	\$6,199,369	\$3,852,199

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$558,428	\$555,184	(\$3,244)
Special Revenue	4,157,486	4,341,035	183,549
Debt Service	1,308,799	1,352,839	44,040
Capital Projects	0	3,869	3,869
Total	\$6,024,713	\$6,252,927	\$228,214

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$1,090,198	\$856,916	\$233,282
Special Revenue	6,304,122	4,518,294	1,785,828
Debt Service	1,337,773	945,619	392,154
Capital Projects	660,000	642,259	17,741
Total	\$9,392,093	\$6,963,088	\$2,429,005

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**4. PROPERTY TAX**

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

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

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

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

**5. DEBT**

Debt outstanding at December 31, 2005 was as follows:

	Principal	Interest Rate
Fire Equipment Bond	\$258,803	3.89%
TIF Revenue Bond	8,505,000	2.0 - 4.4%
Total	\$8,763,803	

The Township issued general obligation bonds to finance the purchase of fire equipment. The Township's taxing authority collateralized the bonds.

	Fire Equipment Bond
Year ending December 31:	
2006	\$37,957
2007	37,957
2008	37,957
2009	37,957
2010	37,957
2011 - 2013	75,914
Total	\$265,699

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**5. DEBT (Continued)**

The Township issued \$9,685,000 of Tax Increment Revenue Bonds (the bonds) in 2003 and incurred issuance costs of \$142,264. A portion of the bond proceeds was used to retire an existing \$8,246,378 Tax Increment Revenue Notes issued 2000. The remaining Bond proceeds were placed with a trustee. The Trust agreement requires the Trustee to establish funds for debt service reserves, bond servicing and payments to contactors. The Township reports bond servicing in a debt service fund and project construction costs in a capital projects fund. At December 31, 2005, the Debt Service and Capital Projects trustee accounts had balances of \$917,782 and \$21,610, respectively. The Tax Increment Financing Bonds were issued to (1) retire bond anticipation notes issued April 1, 2000 and (2) pay the cost of constructing and installing certain additional public improvements. The bonds will be repaid from payments in lieu of taxes assessed and collected by the County on property improvements in Pierce Township. The Township is primarily liable for the TIF bonds. Therefore, although the payments in lieu of taxes are collected by the county and the corresponding debt payments made by the county, the Township will record on their financial statements the receipts and disbursements made on behalf of the Township by the County.

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

Year ending December 31:	<u>TIF Revenue Bond</u>
2006	\$905,440
2007	902,350
2008	907,225
2009	904,412
2010	904,252
2011-2015	4,516,885
2016-2017	<u>1,806,810</u>
Total	<u><u>\$9,040,564</u></u>

**6. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

The Ohio Revised Code also prescribes contribution rates. For 2005 and 2004, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 13.55 percent of participants' gross salaries. The Township has paid all contributions required through December 31, 2005.

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**7. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

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

Casualty Coverage

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

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

Property Coverage

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

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

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

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

**PIERCE TOWNSHIP  
CLERMONT COUNTY**

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

**7. RISK MANAGEMENT (continued)**

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

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

The Casualty Coverage assets and retained earnings above include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively. OTARMA will collect these amounts in future annual premium billings when OTARMA's related liabilities are due for payment. The Township's share of these unpaid claims is approximately \$183,424.



# Mary Taylor, CPA

Auditor of State

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

Pierce Township  
Clermont County  
950 Locust Corner Road  
Cincinnati, Ohio 45245

To the Board of Trustees:

We have audited the financial statements of the Pierce Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2005 and 2004, and have issued our report thereon dated June 25, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated June 25, 2006, we reported other matters involving internal control over financial reporting we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated June 25, 2006, we reported other matters related to noncompliance we deemed immaterial.

Pierce Township  
Clermont County  
Independent Accountants' Report on Internal Control Over  
Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards*  
Page 2

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

**Mary Taylor, CPA**  
Auditor of State

June 25, 2006



**Mary Taylor, CPA**  
Auditor of State

**PIERCE 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  
JULY 24, 2007**