



**Auditor of State
Betty Montgomery**

**MIAMI TOWNSHIP
CLERMONT COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Miami Township
Clermont County
5900 McPicken Drive
Milford, Ohio 45150

To the Board of Trustees:

We have audited the accompanying financial statements of Miami Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2003. 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 discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

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, 2003, and its combined cash receipts and disbursements for the year then ended on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2004 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

We conducted our audit to form an opinion on the Township's financial statements. The federal awards expenditure schedule is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the financial statements. In our opinion, this information is fairly stated in all material respects in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of management, the Board and other officials authorized to receive this report under §117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 28, 2004

**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, 2003**

	<u>Governmental Fund Types</u>				Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	
Cash Receipts:					
Local Taxes	\$663,643	\$9,946,265	\$0	\$0	\$10,609,908
Intergovernmental	656,055	2,062,324			2,718,379
Special Assessments		193,154	12,668		205,822
Charges for Services		98,508			98,508
Licenses, Permits, and Fees	192,131	144,705			336,836
Fines, Forfeitures, and Penalties	25,259	55,337			80,596
Earnings on Investments	67,811	29,665	1,079	1,542	100,097
Other Revenue	200,735	354,399			555,134
Total Cash Receipts	<u>1,805,634</u>	<u>12,884,357</u>	<u>13,747</u>	<u>1,542</u>	<u>14,705,280</u>
Cash Disbursements:					
Current:					
General Government	1,257,165	117,117			1,374,282
Public Safety		9,390,810			9,390,810
Public Works		1,373,789			1,373,789
Health	172,519	36,605			209,124
Conservation - Recreation	551,055	164,389			715,444
Debt Service:					
Redemption of Principal	38,617	549,029			587,646
Interest and Fiscal Charges	2,691	87,551	30,855		121,097
Capital Outlay	38,683	867,950		508,618	1,415,251
Total Cash Disbursements	<u>2,060,730</u>	<u>12,587,240</u>	<u>30,855</u>	<u>508,618</u>	<u>15,187,443</u>
Total Receipts Over/(Under) Disbursements	<u>(255,096)</u>	<u>297,117</u>	<u>(17,108)</u>	<u>(507,076)</u>	<u>(482,163)</u>
Other Financing Receipts and (Disbursements):					
Proceeds from Sale of Bonds				995,000	995,000
Transfers-In		14,338	11,366		25,704
Advances-In		83,466			83,466
Transfers-Out	(25,704)				(25,704)
Advances-Out		(83,466)			(83,466)
Other Sources	9,857	19,380		6,956	36,193
Total Other Financing Receipts and (Disbursements)	<u>(15,847)</u>	<u>33,718</u>	<u>11,366</u>	<u>1,001,956</u>	<u>1,031,193</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(270,943)</u>	<u>330,835</u>	<u>(5,742)</u>	<u>494,880</u>	<u>549,030</u>
Fund Cash Balances, January 1	<u>781,101</u>	<u>3,022,625</u>	<u>0</u>	<u>0</u>	<u>3,803,726</u>
Fund Cash Balances, December 31	<u>\$510,158</u>	<u>\$3,353,460</u>	<u>(\$5,742)</u>	<u>\$494,880</u>	<u>\$4,352,756</u>
Reserve for Encumbrances, December 31	<u>\$54,453</u>	<u>\$312,491</u>	<u>\$0</u>	<u>\$0</u>	<u>\$366,944</u>

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

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**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003**

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, 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 in the Township.

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

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Debt Service Funds

The debt service fund is used to accumulate resources for the payment of bonds and note indebtedness. The Township had the following Debt Service Fund:

TIF Bond Retirement Fund - This fund is used for the payment of principal and interest related to the Road Improvement Bonds issued during 2003.

4. 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 received the proceeds of the Road Improvement Bonds.

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 reappropriated. The Township did not encumber all commitments required by Ohio law. The budgetary presentations have been adjusted to include material items that should have been encumbered.

A summary of 2003 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.

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Accumulated Leave

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

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:

	2003
Demand deposits	\$1,495,914
Investments:	
Money Market	2,631
Federal Securities	2,854,211
Total investments	2,856,842
Total deposits and investments	\$4,352,756

Deposits: Deposits are either insured by the Federal Depository Insurance Corporation, or 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, 2003 follows:

2003 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$1,989,227	\$1,815,492	(\$173,735)
Special Revenue	13,252,579	12,918,075	(334,504)
Debt Service	30,856	25,113	(5,743)
Capital Projects	1,004,541	1,003,499	(1,042)
Total	\$16,277,203	\$15,762,179	(\$515,024)

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

3. BUDGETARY ACTIVITY (Continued)

2003 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$2,512,683	\$2,140,888	\$371,795
Special Revenue	16,498,326	12,899,732	3,598,594
Debt Service	30,856	30,856	0
Capital Projects	1,074,698	508,618	566,080
Total	\$20,116,563	\$15,580,094	\$4,536,469

4. PROPERTY TAX

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

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, 2003 was as follows:

	Principal	Interest Rate
1994 Park Land Note	\$20,269	6.50%
2000 TAN for Park Land Improvement	800,000	5.70%
2001 General Obligation Road Equip Notes	20,192	4.20%
2001 General Obligation Fire Apparatus Notes	520,000	4.10%
2003 Road Improvement Bonds	995,000	1.40 - 4.75%
Total	\$2,355,461	

The Park Land Note, 1994, is an agreement between the Township and Mr. Paul Young for the purchase of land for a Township park. The Township is paying Mr. Young \$3,442 per month, including interest, over ten years. The agreement is uncollateralized.

The Tax Anticipation Notes (TAN), 2000 are for recreational purposes including the acquisition, development and maintenance of Township parks. The Township is repaying the notes with proceeds from an operating levy. The notes will be repaid over five years with not less than the principal amount of \$400,000 being paid annually. The Notes are secured by an operating levy.

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

5. DEBT (Continued)

The General Obligation Road Equipment Note, 2001, relates to the purchase of road equipment. The Note will be repaid over four years with principal amounts of \$16,666 for the first two years and \$16,667 thereafter. The Note is collateralized by the road equipment.

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 \$32,000 paid biannually. The Note is secured by a tax levy.

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

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

	<u>1994 Park Land Note</u>	<u>2000 TAN</u>	<u>2001 General Obligation Note - Road Equipment</u>	<u>2001 General Obligation Note - Fire Apparatus</u>	<u>2003 Road Improvement Bonds</u>
Year ending December 31:					
2004	\$20,654	\$860,000	\$20,690	\$85,654	\$48,840
2005				82,988	58,700
2006				80,324	73,400
2007				77,659	77,770
2008				74,993	76,870
2009 - 2013				208,991	412,575
2014 - 2018					384,065
2019 - 2023					378,213
Total	<u>\$20,654</u>	<u>\$860,000</u>	<u>\$20,690</u>	<u>\$610,609</u>	<u>\$1,510,433</u>

6. RETIREMENT SYSTEMS

The Township's certified law enforcement officers and fire fighters belong to the Police and Fire Pension Fund (OP&F). Other 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 2003, members of OP&F participants contributed 10% of their wages. The Township contributed an amount equal to 19% of police participant and 24% of fire participant wages to OP&F. PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 2003.

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RISK MANAGEMENT

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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

OTARMA retains casualty risks up to \$250,000 per claim, including loss 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 \$5,000,000 in the aggregate per year. Governments can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

If losses exhaust OTARMA's retained earnings, APEEP covers OTARMA losses up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss with an annual aggregate of \$1,250,000 for 2002. There is no aggregate for 2003 and future accident years. Beginning in 2003, OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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.

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 2003 and 2002:

Casualty Coverage	2003	2002
Assets	\$27,792,223	\$23,757,036
Liabilities	(11,791,300)	(9,197,512)
Retained earnings	\$16,000,923	\$14,559,524

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Continued)**

7. RISK MANAGEMENT (Continued)

Property Coverage	2003	2002
Assets	\$6,791,060	\$6,596,996
Liabilities	(750,956)	(1,204,326)
Retained earnings	\$6,040,104	\$5,392,670

8. SUBSEQUENT EVENTS

The Township adopted resolution 2004-41 on November 4, 2004 providing for the issuance and sale of various purpose limited tax general obligation bonds, not to exceed \$2,940,000. The purpose of these bonds is to finance the acquisition of a building and construction improvements to the building.

The Township adopted resolution 2004-42 on November 4, 2004 providing for the issuance and sale of various purpose limited tax general obligation bonds, not to exceed \$310,000. The purpose of these bonds is to finance the construction of road intersection improvements.

On August 17, 2004, the Township accepted the bid from John R. Jurgensen for \$461,609 for the 2004 Road Paving project

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**MIAMI TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
<i>Passed Through Ohio Emergency Management Agency:</i>			
FEMA		83.544	\$ 44,658
Total U.S. Federal Emergency Management Agency			<u>44,658</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Direct from Federal Government:</i>			
Public Safety Partnership and Community Policing Grants		16.710	182,228
Total U.S. Department of Justice			<u>182,228</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Public Safety</i>			
Safe Roads		20.600	41,436
Safe Communities		20.600	5,275
COPS-In-Shops		20.601	29,453
Total U.S. Department of Transportation			<u>76,164</u>
Total			<u><u>\$ 303,050</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Award Expenditures (the Schedule) is a summary of the activity of the Township's federal awards programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B – MATCHING REQUIREMENTS

Certain Federal programs require that the Township contribute non-federal funds (matching funds) to support the Federally-funded programs. The Township has complied with the matching requirements.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Miami Township
Clermont County
5900 McPicken Drive
Milford, Ohio 45150

To the Board of Trustees:

We have audited the accompanying financial statements of Miami Township, Clermont County, Ohio (the Township), as of and for the year ended December 31, 2003, and have issued our report thereon dated October 28, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, 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 such an opinion. The results of our tests disclosed an instance of noncompliance that we must report under Government Auditing Standards which is described in the accompanying schedule of findings as item 2003-001. We also noted certain immaterial instances of noncompliance that we have reported to the Township's management in a separate letter dated October 28, 2004.

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 for the purpose of expressing our opinion on the financial statements and not to provide assurance 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 to be 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 record, process, summarize and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-001 through 2003-004.

A material weakness is a 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 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 believe the reportable conditions described above are material weaknesses.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated October 28, 2004.

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

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

Betty Montgomery
Auditor of State

October 28, 2004



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Miami Township
Clermont County
5900 McPicken Drive
Milford, Ohio 45150

To the Board of Trustees:

Compliance

We have audited the compliance of Miami Township, Clermont County, Ohio (the Township), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2003. The Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Township's compliance with those requirements.

In our opinion, the Township complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the Township in a separate letter dated October 28, 2004.

Internal Control Over Compliance

The management of the Township is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Township's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, Board of Trustees, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

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

Betty Montgomery
Auditor of State

October 28, 2004

**MIAMI TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Public Safety Partnership and Community Policing Grants (COPS) – CFDA# 16.710
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A > \$300,000
(d)(1)(ix)	Low Risk Auditee?	No

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

FINDING NUMBER 2003-001

Noncompliance Citation/Reportable Condition

Ohio Rev. Code, Section 5705.41(D)(1), prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

Ohio Rev. Code, Section 5705.41(D), allows a subdivision's fiscal officer may also issue so-called "super blanket" certificates for any amount for expenditures and contracts from a specific line-item appropriation account in a specified fund for most professional services, fuel, oil, food items and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the fiscal year.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

- A. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the Township.

- B. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. (Prior to September 26, 2003, blanket certificates were limited to \$5,000 and three months.) The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
- C. Super Blanket Certificate – The Township may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

**FINDING NUMBER 2003-001
(Continued)**

The Township did not certify the availability of funds and encumber the related appropriations prior to purchase commitment for 14% of the expenditures tested and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds and encumber the related appropriations can result in overspending funds and negative cash fund balances. In addition, the Township's computer system requires the purchase order approval on the system (no hard copy is printed) by only two Trustees. Beginning in October, 2003, the Clerk was not required to approve the purchase orders to certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The Clerk's signature is automatically printed on the purchase order when it is printed.

Unless the exceptions noted above are used, prior certification is required by statute and is a key control in the disbursement process to assure that purchase commitments receive prior approval by authorized officials or personnel. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend the Clerk certify that the funds are or will be available prior to obligation by the Township by approving each purchase order. When prior certification is not possible, "then and now" certification should be used. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

In addition, the Township had open blanket purchase orders outstanding at year end. We recommend the Clerk close all open blanket purchase orders at year end.

FINDING NUMBER 2003-002

Reportable Condition

We noted the following discrepancies in the Township records:

- Several intergovernmental, and tax receipts were posted to the wrong funds, in net amount instead of gross, and to the wrong line items;
- Certain grant activity was not recorded in the appropriate funds and certain grant activity was not appropriately documented in the Township's books for receipts and expenditures;
- Transfers-in and transfers-out did not equal;
- Debt service expenditures were incorrectly posted.

The proper classifications of receipts can help demonstrate legal compliance, financial accountability and to provide management with information for decision making. The "transfers" errors were caused by improper posting to the computer system. Some transfers-in were recorded as receipts and a transfer-out was recorded as an expense. Debt service payments should be posted to principal and interest expenditure line items, based on the allocation of payment made. All material adjustments were posted to the accompanying financial statements.

The Clerk and the Board should review the chart of accounts and familiarize themselves with the proper account codes for financial activity. The Board should periodically review receipt and expenditure ledgers to check that transactions have been properly recorded. Without accurate financial information, the Board cannot make informed decisions regarding the financial status of the Township. The Clerk should refer to the Auditor of State's Ohio Township Manual.

FINDING NUMBER 2003-003

Reportable Condition

The accounting system utilized by the Township allows for monitoring of budget versus actual data. However, to allow for proper monitoring, the budget ledgers must reflect the Board of Trustee's approved appropriations and estimated resources. During 2003, the Township did not update the system with the approved appropriations or the original estimated resources. Without the proper amounts updated in the system, the Township may not be able to properly monitor data for compliance with budgetary laws. When all budgeted amounts are properly reflected in the accounting system, then the system should be used as a tool to keep expenditures within appropriations.

We recommend the Township update the accounting system to reflect the approved appropriations and estimated resources at the beginning of the year and subsequent amendments during the year. We also recommend the computer system be set up so the Assistant Clerk is warned if an expenditure will exceed the appropriations for that line item. In addition, on a monthly basis, detailed budget and actual financial statements should be presented to the Board of Trustees for review. Board members should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information and accept the information officially in the minutes.

FINDING NUMBER 2003-004

Reportable Condition

The Township Clerk should provide the cash position report, trial balance report, budget and actual revenue and expenditure reports and the bank reconciliations to the Board of Trustees each month. The Board should carefully review this information and make appropriate inquiries to manage the Township.

This information can help answer questions such as the following:

- Are expenditures in line with prior year costs?
- If unusual fluctuations in receipts or expenditures occur, is the reason understood and has it been appropriately budgeted?
- Are anticipated receipts being timely received?
- Is the Township maximizing its return on invested cash balances?
- Is the Township able to achieve the financial goals as set by the original or amended budgets?
- Are monies being spent in accordance with the approved appropriations?

In addition to reviewing the statements noted above, the Board of Trustees should evaluate the independent accountants' report to ensure that the internal control and legal compliance issues are promptly and effectively remedied.

The Board of Trustees' review and approval of reports was not documented each month. In addition, the monthly reports that were reviewed by the Board were inconsistent. The Trustees were not given the same reports each month to review.

We recommend the Board take a more active role in monitoring the financial activity and results of audits for the township. The minute record should indicate what financial information the Board approved and copies should be maintained. We recommend the Township create a cover sheet listing the reports provided to the Trustees each month. The Trustees should document their review and approval on the cover sheet each month.

FINDINGS FOR FEDERAL AWARDS

None.

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**MIAMI TOWNSHIP
CLERMONT COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2002-001	Ohio Rev. Code Section 5705.10 negative fund balances	No	Repeated as a citation in the 2003 management letter.
2002-002	Ohio Rev. Code Section 5707.39 appropriations exceeded estimated revenue	Yes	
2002-003	Ohio Rev. Code Section 5705.41(B) expenditures plus encumbrances exceeded appropriations	No	Partially corrected; repeated as a citation in the 2003 management letter.
2002-004	Ohio Rev. Code Section 5705.41(D) expenditures not properly certified	No	Repeated as finding 2003-001
2002-005	Reportable Condition – Proper classification of receipts and grant activity	No	Repeated as finding 2003-003



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**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
MAY 31, 2005**