



Colerain Township, Ohio

Basic Financial Statements

Year Ended December 31, 2008

(with Independent Auditors' Report)



Dave Yost • Auditor of State

Board of Trustees
Colerain Township
4200 Springdale Road
Colerain Township, Ohio 45251

We have reviewed the *Independent Auditors' Report* of Colerain Township, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2008 through December 31, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 6, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Colerain Township, Ohio:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Colerain Township, Hamilton County, Ohio (the Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Colerain Township, Hamilton County, Ohio, as of December 31, 2008, and the respective changes in modified cash financial position and the respective budgetary comparison for the General, Police District, Fire District and the Ambulance/EMS Funds thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2011, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

105 east fourth street, ste. 1500
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

The Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 17, 2011

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

This discussion and analysis of Colerain Township's financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2008, within the limitations of the Township's modified cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

Highlights

Key highlights for 2008 are as follows:

Net assets of governmental activities increased \$679,628 or 3%.

The Township's general receipts are primarily property taxes. These receipts represent 54% of the total cash received for governmental activities during the year. Property tax receipts for 2008 increased from 2007.

Using the Basic Financial Statements

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

Report Components

The statement of net assets and the statement of activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

The notes to the financial statements are an integral part of the Township-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.

Basis of Accounting

The basis of accounting is a set of guidelines that determine when financial events are recorded. The Township has elected to present its financial statements on a modified cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township's modified cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2008, within the limitations of modified cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares cash disbursements with program receipts for each governmental program. Program receipts include charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, we define Governmental activities as the Township's basic services including police, fire, streets and parks. State and federal grants and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Reporting the Township's Most Significant Funds

Fund financial statements provide detailed information about the Township's major funds – not the Township as a whole. The Township establishes separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The Township's major governmental funds are the General Fund, Police District Fund, Fire District Fund, Ambulance/EMS Fund, and TIF Fund. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2008 and 2007 on a modified cash basis.

Table 1	Governmental Activities 2007	Governmental Activities 2008
Assets		
Cash and Investments	21,884,147	22,457,539
Cash with Fiscal Agent	497,156	603,392
<i>Total Assets</i>	\$22,381,303	\$23,060,931
Net Assets		
Restricted for:		
Debt Service	25,293	1,279
Police	330,346	1,051,511
Fire	8,676,091	8,751,366
Ambulance/EMS	1,170,048	801,094
Other Purposes	1,721,069	1,934,570
Unrestricted	10,458,456	10,521,111
<i>Total Net Assets</i>	\$22,381,303	\$23,060,931

As mentioned previously, net assets of governmental activities increased \$679,628 or 3% during 2008.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Table 2 reflects the changes in net assets in 2008 compared to 2007.

(Table 2)
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2008
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,028,773	\$1,090,232
Operating Grants and Contributions	1,281,549	896,157
Capital Grants and Contributions	<u>744,770</u>	<u>262,791</u>
Total Program Receipts	<u>3,055,092</u>	<u>2,249,180</u>
General Receipts:		
Property and Other Local Taxes	13,697,520	15,914,992
Grants and Entitlements Not Restricted to Specific Programs	5,008,174	3,162,655
Notes Issued	4,215,000	4,895,000
Interest	1,086,448	874,286
Miscellaneous	<u>1,972,202</u>	<u>2,252,509</u>
Total General Receipts	<u>25,979,344</u>	<u>27,099,442</u>
Total Receipts	<u>29,034,436</u>	<u>29,348,622</u>
Disbursements:		
General Government	1,988,246	2,295,636
Public Safety	14,118,935	14,736,429
Public Works	3,255,202	2,864,319
Health	68,274	92,205
Conservation/Recreation	1,267,289	1,328,326
Human Services	2,700	-
Other	6,008	-
Capital Outlay	2,886,208	1,860,267
Principal Retirement	4,791,808	4,865,270
Interest and Fiscal Charges	<u>485,561</u>	<u>626,542</u>
Total Disbursements	<u>28,870,231</u>	<u>\$28,668,994</u>
Increase (Decrease) in Net Assets	164,205	679,628
Net Assets, January 1,	<u>22,217,098</u>	<u>22,381,303</u>
Net Assets, December 31,	<u>\$22,381,303</u>	<u>\$23,060,931</u>

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

Program receipts represent only 8% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and inspection fees. Program receipts decreased 26% in 2008. This decrease is due to the Township receiving approximately \$500,000 less in OPWC money in 2008.

General receipts represent 92% of the Township's total receipts, and of this amount, 59% are local taxes. State and federal grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities.

Public Safety is the costs of police and fire protection; Conservation/Recreation are the costs of maintaining the parks and playing fields; Public Works is the cost of maintaining the Township's roads; and Capital Outlay is the cost of performing township projects. Capital outlay expenditures decreased approximately \$1,026,000 in 2008. This decrease can be attributed to the completion of senior center and park improvements in 2007.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are Public Safety, Public Works and Capital Outlay, which account for 68 percent of all governmental disbursements. General government also represents a significant cost, about 8 percent. The next three columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service and grants received by the Township that must be used to provide a specific service. The net Receipt (Disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the Statement. A comparison between the total cost of services and the net cost is presented in Table 3.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
Unaudited

(Table 3)
Governmental Activities

	Total Cost of Services 2007	Net Cost of Services 2007	Total Cost of Services 2008	Net Cost of Services 2008
General Government	\$1,988,246	\$(1,988,246)	\$2,295,636	\$(2,295,636)
Public Works	3,255,202	(1,876,843)	2,864,319	(1,878,440)
Public Safety	14,118,935	(13,221,638)	14,736,429	(13,805,804)
Health/Human Services/Other	76,982	(63,034)	92,205	(92,205)
Conservation-Recreation	1,267,289	(501,801)	1,328,326	(995,650)
Capital Outlay	2,886,208	(2,886,208)	1,860,267	(1,860,267)
Principal Retirement	4,791,808	(4,791,808)	4,865,270	(4,865,270)
Interest and Fiscal Charges	485,561	(485,561)	626,542	(626,542)
Total Expenses	\$28,870,231	\$(25,815,139)	\$28,668,994	\$(26,419,814)

The dependence upon property tax receipts is apparent as over 56 percent of governmental activities are supported through general receipts.

The Township's Funds

Total governmental funds had receipts of \$24,453,622 and disbursements of \$28,668,994. Other financing sources included \$4,895,000 of note proceeds.

General Fund Budgeting Highlights

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

During 2008, the Township estimated general fund receipts at \$3,957,833, but actual receipts were \$5,531,326. The low budget amount was due to receiving more intergovernmental and miscellaneous income than expected.

Final general fund disbursements were budgeted at \$6,013,050 while actual disbursements were \$4,733,093. Budgeted capital outlay disbursements were \$850,000 higher than actual disbursements due to the Township's expectations of performing more projects.

Debt Administration

At December 31, 2008, the Township's outstanding debt included \$8,090,000 in general obligation bonds issued for construction buildings and structures. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. The Township relies heavily on local taxes and has very little industry to support the tax base.

Contacting the Township's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Heather E. Harlow, Fiscal Officer, Colerain Township, 4200 Springdale Road, Colerain Township, OH 45251; (513) 385-7500; hharlow@coleraintwp.org.

Colerain Township, Hamilton County
Statement of Net Assets - Modified Cash Basis
December 31, 2008

	Governmental Activities
Assets	
Cash and Investments	\$22,457,539
Cash with Fiscal Agent	<u>\$603,392</u>
<i>Total Assets</i>	<u><u>\$23,060,931</u></u>
Net Assets	
Restricted for:	
Debt Service	1,279
Police	1,051,511
Fire	8,751,366
Ambulance/EMS	801,094
Other Purposes	1,934,570
Unrestricted	<u>10,521,111</u>
<i>Total Net Assets</i>	<u><u>\$23,060,931</u></u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Modified-Cash Basis Assets and Fund Balances
 Governmental Funds
 December 31, 2008

	General	Police District Fund	Fire District Fund	Ambulance EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Investments	\$ 10,521,111	\$ 1,051,511	\$ 8,751,366	\$ 801,094	\$ -	\$ 1,332,457	\$ 22,457,539
Cash with Fiscal Agent	-	-	-	-	603,392	-	603,392
<i>Total Assets</i>	<u>10,521,111</u>	<u>1,051,511</u>	<u>8,751,366</u>	<u>801,094</u>	<u>603,392</u>	<u>1,332,457</u>	<u>23,060,931</u>
Fund Balances							
Reserved:							
Reserved for Encumbrances	514,416	64,883	464,562	67,461	-	250,724	1,362,046
Unreserved:							
Undesignated, Reported in:							
General Fund	10,006,695	-	-	-	-	-	10,006,695
Special Revenue Funds	-	986,628	8,286,804	733,633	-	1,126,146	11,133,211
Debt Service Fund	-	-	-	-	-	1,279	1,279
Capital Projects Fund	-	-	-	-	603,392	(45,692)	557,700
<i>Total Fund Balances</i>	<u>\$ 10,521,111</u>	<u>\$ 1,051,511</u>	<u>\$ 8,751,366</u>	<u>\$ 801,094</u>	<u>\$ 603,392</u>	<u>\$ 1,332,457</u>	<u>\$ 23,060,931</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Cash Receipts, Disbursements and Changes in Modified-Cash Basis Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2008

	General	Police District Fund	Fire District Fund	Ambulance EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 627,856	\$ 4,085,857	\$ 8,529,104	\$ -	\$ -	\$ 1,593,051	\$ 14,835,868
Charges for Services	-	-	-	821,174	-	-	821,174
Licenses, Permits and Fees	1,255,395	5,996	6,720	-	-	38,972	1,307,083
Fines and Forfeitures	-	66,808	-	-	-	9,480	76,288
Intergovernmental	2,438,878	553,818	1,171,229	-	-	1,236,802	5,400,727
Special Assessments	-	-	-	-	-	112,015	112,015
Earnings on Investments	765,166	-	-	-	-	109,120	874,286
Other	450,039	143,041	256,128	-	-	176,973	1,026,181
<i>Total Receipts</i>	<u>5,537,334</u>	<u>4,855,520</u>	<u>9,963,181</u>	<u>821,174</u>	<u>-</u>	<u>3,276,413</u>	<u>24,453,622</u>
Disbursements							
Current:							
General Government	1,867,399	-	-	-	-	428,237	2,295,636
Public Safety	-	4,144,857	9,476,388	1,095,793	-	19,391	14,736,429
Public Works	516,360	-	-	-	-	2,347,959	2,864,319
Health	87,765	-	-	-	-	-	87,765
Human Services	-	-	-	-	-	4,440	4,440
Conservation-Recreation	1,328,326	-	-	-	-	-	1,328,326
Capital Outlay	418,829	139,498	390,448	94,335	395,124	422,033	1,860,267
Debt Service:							
Principal Retirement	-	-	-	-	4,215,000	650,270	4,865,270
Interest and Fiscal Charges	-	-	-	-	178,640	447,902	626,542
<i>Total Disbursements</i>	<u>4,218,679</u>	<u>4,284,355</u>	<u>9,866,836</u>	<u>1,190,128</u>	<u>4,788,764</u>	<u>4,320,232</u>	<u>28,668,994</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>1,318,655</u>	<u>571,165</u>	<u>96,345</u>	<u>(368,954)</u>	<u>(4,788,764)</u>	<u>(1,043,819)</u>	<u>(4,215,372)</u>
Other Financing Sources (Uses)							
Transfers In	-	150,000	230,000	-	-	1,127,070	1,507,070
Transfers Out	(1,256,000)	-	(251,070)	-	-	-	(1,507,070)
Advances In	30,000	-	-	-	-	30,000	60,000
Advances Out	(30,000)	-	-	-	-	(30,000)	(60,000)
Notes Issued	-	-	-	-	4,895,000	-	4,895,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,256,000)</u>	<u>150,000</u>	<u>(21,070)</u>	<u>-</u>	<u>4,895,000</u>	<u>1,127,070</u>	<u>4,895,000</u>
<i>Net Change in Fund Balances</i>	62,655	721,165	75,275	(368,954)	106,236	83,251	679,628
<i>Fund Balances Beginning of Year, restated</i>	<u>10,458,456</u>	<u>330,346</u>	<u>8,676,091</u>	<u>1,170,048</u>	<u>497,156</u>	<u>1,249,206</u>	<u>22,381,303</u>
<i>Fund Balances End of Year</i>	<u>\$ 10,521,111</u>	<u>\$ 1,051,511</u>	<u>\$ 8,751,366</u>	<u>\$ 801,094</u>	<u>\$ 603,392</u>	<u>\$ 1,332,457</u>	<u>\$ 23,060,931</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
General Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 555,329	\$ 555,329	\$ 627,856	\$ 72,527
Licenses, Permits and Fees	988,468	988,468	1,255,395	266,927
Intergovernmental	1,465,660	1,465,660	2,438,878	973,218
Interest	715,788	715,788	765,166	49,378
Other	238,596	232,588	444,031	211,443
<i>Total receipts</i>	<u>3,963,841</u>	<u>3,957,833</u>	<u>5,531,326</u>	<u>1,573,493</u>
Disbursements				
Current:				
General Government	2,301,000	2,249,070	1,970,648	278,422
Public Works	1,048,486	760,153	627,140	133,013
Health	103,710	92,567	88,709	3,858
Conservation-Recreation	1,527,900	1,390,486	1,375,510	14,976
Capital Outlay	1,237,945	1,520,774	671,086	849,688
<i>Total Disbursements</i>	<u>6,219,041</u>	<u>6,013,050</u>	<u>4,733,093</u>	<u>1,279,957</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(2,255,200)</u>	<u>(2,055,217)</u>	<u>798,233</u>	<u>2,853,450</u>
Other Financing Sources (Uses)				
Transfers Out	(1,136,000)	(1,436,000)	(1,256,000)	180,000
Advances In	-	-	180,000	180,000
Advances Out	(300,000)	(330,000)	(180,000)	150,000
Other Financing Sources	-	6,008	6,008	-
Other Financing Uses	(500,000)	(376,000)	-	376,000
<i>Total Other Financing Sources (Uses)</i>	<u>(1,936,000)</u>	<u>(2,135,992)</u>	<u>(1,249,992)</u>	<u>886,000</u>
<i>Net Change in Fund Balance</i>	(4,191,200)	(4,191,209)	(451,759)	3,739,450
<i>Fund Balance Beginning of Year</i>	9,885,509	9,885,509	9,885,509	-
Prior Year Encumbrances Appropriated	572,945	572,945	572,945	-
<i>Fund Balance End of Year</i>	<u>\$ 6,267,254</u>	<u>\$ 6,267,245</u>	<u>\$ 10,006,695</u>	<u>\$ 3,739,450</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Police District Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$ 3,915,054	\$ 3,915,054	\$ 4,085,857	\$ 170,803
Licenses, Permits and Fees	2,238	2,238	5,996	3,758
Fines and Forfeitures	57,460	57,460	66,808	9,348
Intergovernmental	589,521	589,521	553,818	(35,703)
Other	97,010	97,010	143,041	46,031
<i>Total receipts</i>	<u>4,661,283</u>	<u>4,661,283</u>	<u>4,855,520</u>	<u>194,237</u>
Disbursements				
Current:				
Public Safety	4,522,422	4,557,233	4,203,384	353,849
Capital Outlay	188,000	152,950	145,854	7,096
<i>Total Disbursements</i>	<u>4,710,422</u>	<u>4,710,183</u>	<u>4,349,238</u>	<u>360,945</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(49,139)</u>	<u>(48,900)</u>	<u>506,282</u>	<u>555,182</u>
Other Financing Sources (Uses)				
Transfers In	-	-	150,000	150,000
<i>Total Other Financing Sources (Uses)</i>	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>150,000</u>
<i>Net Change in Fund Balance</i>	(49,139)	(48,900)	656,282	705,182
<i>Fund Balance Beginning of Year</i>	241,824	241,824	241,824	-
Prior Year Encumbrances Appropriated	88,522	88,522	88,522	-
<i>Fund Balance End of Year</i>	<u>\$ 281,207</u>	<u>\$ 281,446</u>	<u>\$ 986,628</u>	<u>\$ 705,182</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Fire District Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Property and Other Local Taxes	\$ 8,000,678	\$ 7,992,900	\$ 8,529,104	\$ 536,204
Licenses, Permits and Fees	15,996	15,000	6,720	(8,280)
Intergovernmental	1,548,044	1,506,000	1,171,229	(334,771)
Other	213,278	200,000	256,128	56,128
<i>Total receipts</i>	<u>9,777,996</u>	<u>9,713,900</u>	<u>9,963,181</u>	<u>249,281</u>
Disbursements				
Current:				
Public Safety	10,340,545	10,231,578	9,792,598	438,980
Capital Outlay	635,500	744,467	538,800	205,667
<i>Total Disbursements</i>	<u>10,976,045</u>	<u>10,976,045</u>	<u>10,331,398</u>	<u>644,647</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,198,049)</u>	<u>(1,262,145)</u>	<u>(368,217)</u>	<u>893,928</u>
Other Financing Sources (Uses)				
Transfers In	-	66,000	230,000	164,000
Transfers Out	(252,000)	(252,000)	(251,070)	930
<i>Total Other Financing Sources (Uses)</i>	<u>(252,000)</u>	<u>(186,000)</u>	<u>(21,070)</u>	<u>164,930</u>
<i>Net Change in Fund Balance</i>	(1,450,049)	(1,448,145)	(389,287)	1,058,858
<i>Fund Balance Beginning of Year</i>	8,430,196	8,430,196	8,430,196	-
Prior Year Encumbrances Appropriated	245,895	245,895	245,895	-
<i>Fund Balance End of Year</i>	<u>\$ 7,226,042</u>	<u>\$ 7,227,946</u>	<u>\$ 8,286,804</u>	<u>\$ 1,058,858</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Receipts, Disbursements and Changes
In Fund Balance - Budget and Actual -Budget Basis
Ambulance/EMS Fund
For the Year Ended December 31, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts				
Charges for Services	\$ 900,000	\$ 900,000	\$ 821,174	\$ (78,826)
<i>Total receipts</i>	<u>900,000</u>	<u>900,000</u>	<u>821,174</u>	<u>(78,826)</u>
Disbursements				
Current:				
Public Safety	1,328,495	1,316,829	1,163,253	153,576
Capital Outlay	128,500	129,532	94,335	35,197
<i>Total Disbursements</i>	<u>1,456,995</u>	<u>1,446,361</u>	<u>1,257,588</u>	<u>188,773</u>
<i>Net Change in Fund Balance</i>	<u>(556,995)</u>	<u>(546,361)</u>	<u>(436,414)</u>	<u>109,947</u>
<i>Fund Balance Beginning of Year</i>	1,158,053	1,158,053	1,158,053	-
Prior Year Encumbrances Appropriated	<u>11,995</u>	<u>11,995</u>	<u>11,995</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 613,053</u>	<u>\$ 623,687</u>	<u>\$ 733,634</u>	<u>\$ 109,947</u>

See accompanying notes to the basic financial statements

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 1 – Reporting Entity

The Colerain Township, Hamilton County, Ohio (the Township), is a body politic and corporate established in 1794 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Township Fiscal Officer.

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

A. Primary Government

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, fire and emergency medical services, zoning, maintenance of Township roads and bridges, a Senior and Community Center, and historical cemetery maintenance. Police protection is provided by the Township as well as a contract with the Hamilton County Sheriff's Office.

B. Component Units

Component units are legally separate organizations for which the Township is financially accountable. The Township has no component units.

The Township participates in a public entity risk pool. Note 6 to the financial statements provides additional information for this entity. This organization is the Ohio Township Association Risk Management Authority.

The financial statements exclude the following entities which perform activities within the Township's boundaries for the benefit of its residents because the Township is not financially accountable for these entities nor are they fiscally dependent on the Township:

- Colerain Township Citizen Police Academy Alumni Association
- Colerain Township Citizen Fire Academy Alumni Association
- Colerain Community Association
- Colerain Township Business Association
- Colerain Historical Society
- Colerain Summer Events Committee, Inc.

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

Note 2 – Summary of Significant Accounting Policies

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

A. Basis of Presentation

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

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

Fund Financial Statements

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's only major governmental funds include the General Fund, the Police District Fund, the Fire District Fund, Ambulance EMS Fund and the TIF Fund.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio. The Fire District and Police District funds are funded by separate levies. The Ambulance EMS Fund also provides for public safety. The TIF Fund is used to account for improvements and financing associated with the Township's TIF Districts.

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

C. Basis of Accounting

The Township's financial statements are prepared using the modified cash basis of accounting. Except for modifications having substantial support, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred. Any such modifications made by the Township are described in the appropriate section in this note.

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

D. Budgetary Process

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

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

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

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

E. Cash and Investments

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

Investments of the cash management pool are presented on the financial statements as 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 negative receipts (contra revenue), respectively.

During 2008, the Township invested in U.S. Agency Securities, Certificates of Deposit and STAR Ohio. The U.S. Agency Securities are reported at cost.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2008.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2008 was \$765,166.

F. Inventory and Prepaid Items

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

G. Capital Assets

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

H. Accumulated Leave

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

I. Employer Contributions to Cost-Sharing Pension Plans

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

J. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor a capital outlay expenditure are reported at inception.

K. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for fire/ambulance services, road repairs, recycling, and drug enforcement and education. All levied funds are restricted in their expenditures, in that they can only be used for the operations of the department in which they were voted.

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

L. Fund Balance Reserves

The Township reserves any portion of fund balances which is not available for appropriation or which is legally segregated for a specific future use. Unreserved and undesignated fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for encumbrances.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Police District Fund, Fire District Fund and the Ambulance/EMS Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budgetary basis and the modified cash basis is outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$514,416 for the General Fund, \$64,883 for the Police District Fund, \$464,562 for the Fire District Fund, and \$67,461 for the Ambulance/EMS fund.

Note 4 – Deposits and Investments

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

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts. Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances with appropriate limitations since ORC training requirements have been met.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits

At year end, the carrying amount of the Township's deposits was \$13,157,114 (including cash with fiscal agents) and the bank balance was \$13,302,775. Of the bank balance \$250,000 was covered by federal depository insurance and \$13,052,775 was uninsured and uncollateralized. Although all State statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

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

Investments

As of December 31, 2008, the Township had the following investments:

Investment Type	Fair Value	Investment Maturities				Greater than 24 months
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months	
FHLBC Notes	\$ 1,003,750					1,003,750
FHLMC Notes	5,025,190				2,006,100	3,019,090
FNMA Notes	1,020,940					1,020,940
Certificates of Deposit	250,000		250,000	-		
Govt. Money Market	203,937	203,937				
StarOhio	2,400,000	2,400,000				
	<u>\$ 9,903,817</u>	<u>\$2,603,937</u>	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 2,006,100</u>	<u>\$ 5,043,780</u>

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

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

The Township's investments in the Federal National Mortgage Association, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation securities are rated Aaa by Moody's and AAA by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

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

Note 5 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2008 represent the collection of 2007 taxes. Real property taxes received in 2008 were levied after October 1, 2007, on the assessed values as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2008 represent the collection of 2007 taxes. Public utility real and tangible personal property taxes received in 2008 became a lien on December 31, 2007, were levied after October 1, 2007, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Tangible personal property tax receipts received in 2008 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2008, was \$17.33 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Property	
Residential/ Agriculture	\$1,014,884,510
Commercial Industrial/Other	\$244,152,820
Public Utility Property	\$24,419,690
Tangible Personal Property	\$20,308,440
Total Assessed Value	\$1,303,765,460

Note 6 – Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2008, the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. OTARMA is a member of the American Public Entity Excess Pool (APEEP.) Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTARMA is as follows:

Legal Liability	\$10,000,000 Per Occurrence
Automobile Liability	\$10,000,000 Per Occurrence
Law Enforcement Operations Coverage	\$10,000,000 Per Occurrence
Wrongful Acts Coverage	\$10,000,000 Per Occurrence
Property Coverage	\$29,445,200 Real Property
	\$1,915,400 Personal Property
Boiler and Machinery Coverage	\$31,360,000 Limit

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Casualty Coverage

For an occurrence prior to January 1, 2006, OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and net assets at December 31, 2008 and 2007:

	2007	2008
Assets	\$ 43,210,703	\$ 40,737,740
Liabilities	(13,357,837)	(12,981,818)
Net Assets	<u>\$ 29,852,866</u>	<u>\$ 27,755,922</u>

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

At December 31, 2008 and 2007, respectively, liabilities noted above include approximately \$12.1 million and \$12.5 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.5 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2008 and 2007, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$8,500. This payable include the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2008 and 2007 were \$202,408 and \$189,382, respectively.

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

Note 7 – Defined Benefit Pension Plan

A. Ohio Public Employees Retirement System

The Township participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings.

The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-6705 or (800) 222-7377.

For the year ended December 31, 2008, the members of all three plans, except those in law enforcement participating in the traditional plan, were required to contribute 10 percent of their annual covered salaries. Members participating in the traditional plan that were in law enforcement contributed 10.1 percent of their annual covered salary. The Township's contribution rate for pension benefits for regular employees in 2008 was 14 percent, and for law enforcement employees, 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions to the traditional and combined plans for the years ended December 31, 2008, 2007 and 2006 were \$860,236, \$704,438, and \$608,267, respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

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

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24.0 percent for firefighter/EMTs. Contributions are authorized by State statute. The Township's contributions to the Fund for full-time firefighter/EMTs for December 31, 2008, 2007, and 2006 were \$1,005,798, \$953,541, and \$913,290, respectively.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

A. Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2008, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.40%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2008, the employer contribution allocated to the health care plan was 7.0% of covered payroll. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

For the year ending December 31, 2008, 2007 and 2006, the Township contributed approximately \$292,000, \$280,000, and \$262,000, respectively, for post-employment benefits.

OPERS Retirement Board Implements its Health Care Preservation Plan

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

B. Ohio Police and Fire Pension Fund

Plan Description

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

Funding Policy

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.00% of covered payroll for fire employers.

The Ohio Revised Code states that the employer contribution may not exceed 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan. OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's contributions to OP&F for firefighters for the years ending December 31, 2008, 2007 and 2006 were \$1,005,798, \$953,541, and \$913,290, respectively, of which \$315,635, \$267,945, \$294,993 respectively, was allocated to the healthcare plan.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 9 - Notes Payable

A summary of the note transactions for the year ended December 31, 2008, follows:

	Balance at 12/31/07	Issued	Debt Retirement	Balance at 12/31/08
Revenue Anticipation Notes				
Best Buy TIF RAN	\$ -	500,000	-	500,000
Stonecreek TIF RAN	4,215,000	-	(4,215,000)	-
Stonecreek TIF RAN	-	4,395,000		4,395,000
Target TIF Bond RAN	707,070	-	(165,270)	541,800
Total	\$ 4,922,070	4,895,000	(4,380,270)	5,436,800

In 2005, Stone Creek Development Corp a Limited Liability Company was granted a 10 year 75% Tax Increment Financing on roughly 55 acres of commercial property located at I-275 and Colerain Avenue. Colerain Township issued TIF Revenue Anticipation Notes to cover public improvements and capitalized interest from the period of 2006-2007. The Developer was required to supply a Letter of Credit (LOC) for the full amount of the note plus one years worth of interest. The developer was required to sign a service agreement. The Township issued one year notes that would need to be remarketed each year in order to keep the cost of the borrowing to a minimal level.

Huntington is currently the provider for the LOC securing the \$4.395 million TIF Revenue Anticipation Notes. In 2008, the developer was granted another TIF for the Best Buy site adjacent to the Stone Creek TIF. For purposes of the TIF this site is known as Trinity Site B. The Township granted the Developer a \$500,000 TIF with the same conditions that it be securitized with a LOC.

In 2008 both notes were remarketed in a public sale for a one year period. The Stone Creek Notes were sold in March 2008 for \$4,395,000 at 3.25%. The Best Buy Notes were sold in May 2008 for 1 year at 4%.

The Target Ohio Tax Increment Financing (TIF) Revenue Notes were issued on October 15, 2002 with a total face value of \$1,300,000 and an interest rate of 4.5%. These Notes were issued as provided for by Ohio Revised Code Sections 5709.73 through 5609.75, and pursuant to a resolution adopted by the Board of Trustees on September 10, 2002. The Notes were issued to provide funds to pay the cost of constructing road, lighting, landscaping, water, sewer, storm sewer and related improvements to Poole Road. These Notes are negotiable instruments but do not constitute a general obligation or debt of the Township, the State of Ohio or any political subdivision thereof, and neither the general credit nor taxing power of the Township, the State of Ohio, or any political subdivision therefore are pledged for the payment of the principal of, or interest and any premium on, these Notes. Such principal, interest and premium are payable solely from moneys pledged to the Trust Agreement, and the Holder hereof does not and shall not have any right to have excises or taxes levied by the Township, the General Assembly of Ohio, or the taxing authority of any political subdivision thereof, for the payment of such principal, interest and premium.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

The Township's resolution dated September 10, 2002 states that nothing herein shall be deemed to prohibit the Township from lawfully using, of its own volition, any of its general resources for the fulfillment of any of the terms and conditions of the Authorizing Legislation or the Notes. These Notes are not secured by the full faith and credit of the Township. Target Corporation, a Minnesota corporation (the "Developer") will cause to be issued and delivered to the Trustee (Fifth Third Bank of Cincinnati) by a bank acceptable to the original purchaser an irrevocable standby letter of credit pursuant to which the Trustee is entitled to draw up to (a) the principal amount of the Notes outstanding to enable the Trustee to pay the principal amount of the Notes when due at maturity or upon redemption or acceleration in the occurrence of an event of default, plus (b) the amount of interest due on the Notes computed at the of interest on the Notes for a period of 195 days to enable the Trustee to pay interest due on the Notes.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2008, was as follows:

	Interest Rate	Balance December 31, 2007	Additions	Payments	Balance December 31, 2008	Due Within One Year
Government Complex	2.75%- 4.75%	\$805,000	-	75,000	730,000	80,000
2001 Fire Bonds	3%-5%	2,465,000	-	115,000	2,335,000	135,000
2001 Building Bonds	3%-5%	2,180,000	-	130,000	2,065,000	120,000
2001 Park Bonds	3%-5%	3,125,000	-	165,000	2,960,000	170,000
Total:		<u>\$8,575,000</u>	<u>-</u>	<u>485,000</u>	<u>8,090,000</u>	<u>505,000</u>

The Building Improvement Bonds were issued December 15, 2001 for the purpose of relocating the Township's Public Works Department. The bonds are collateralized solely by the Township's taxing authority.

The Fire Department Bonds were issued December 15, 2001 for the purpose of building and rehabbing Township fire stations. The bonds are collateralized solely by the Township's taxing authority.

The Park Bonds were issued December 1, 2001 for the purpose of improving the East Miami River Road Park. The bonds are collateralized solely by the Township's taxing authority.

The Building Improvement Refunding Bonds were issued September 1, 2001 for the purpose of refinancing notes originally issued in 1997 to finance construction of a governmental complex building. The bonds are collateralized solely by the Township's taxing authority.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

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

	Fire Bonds			Park Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 135,000	\$ 115,870	\$ 250,870	\$ 170,000	\$ 146,616	\$ 316,616
2010	140,000	110,268	250,268	175,000	139,560	314,560
2011	145,000	104,318	249,318	185,000	132,122	317,122
2012	150,000	98,010	248,010	195,000	124,074	319,074
2013	160,000	91,410	251,410	200,000	115,496	315,496
2014 - 2018	925,000	323,924	1,248,924	1,170,000	409,542	1,579,542
2019 - 2021	680,000	69,250	749,250	865,000	87,750	952,750
Total	<u>\$2,335,000</u>	<u>\$ 913,050</u>	<u>\$ 3,248,050</u>	<u>\$ 2,960,000</u>	<u>\$ 1,155,160</u>	<u>\$ 4,115,160</u>

	Building Bonds			Government Complex Building Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 120,000	\$ 102,430	\$ 222,430	\$ 80,000	\$ 32,108	\$ 112,108
2010	125,000	97,450	222,450	80,000	28,908	108,908
2011	130,000	92,138	222,138	85,000	25,628	110,628
2012	135,000	86,482	221,482	90,000	22,056	112,056
2013	140,000	80,542	220,542	95,000	18,188	113,188
2014 - 2018	815,000	285,464	1,100,464	300,000	28,586	328,586
2019 - 2021	600,000	61,000	661,000	-	-	-
Total	<u>\$2,065,000</u>	<u>\$ 805,506</u>	<u>\$ 2,870,506</u>	<u>\$ 730,000</u>	<u>\$ 155,474</u>	<u>\$ 885,474</u>

Note 11 – Interfund Transfers

During 2008 the following transfers were made:

Transfers from the General Fund To:	
Bond/Note Retirement	\$626,000
Fire District	230,000
Police District	150,000
Zoning	<u>250,000</u>
Total:	1,256,000

Transfer from the Fire District Fund To:	
Fire Debt Service	<u>251,070</u>
Total Transfers	<u>\$1,507,070</u>

Transfers represent the allocation of unrestricted receipts collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers to the Fire District are monies received as rent of the Colerain Township Training Center, which they maintain. Transfers to the Police District included monies for salaries and other operating expenses.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2008

Note 12 – Construction and Contractual Commitments

We hold a contract with the Hamilton County Sheriff’s Office to assist with providing police protection and traffic safety in the Township. The Township is under contract for road resurfacing and rehabilitation. We also hold numerous contracts for maintenance and other services.

Note 13 – Contingent Liabilities

The Township is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, they believe the resolution of these matters will not materially adversely affect the Township’s financial condition.

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

Note 14 – Prior Period Adjustment

The TIF Fund and Governmental Activities beginning fund balance/net assets were restated to correct the cash balance to include the amount held by fiscal agent from the issuance of debt.

	<u>TIF Fund</u>	<u>Governmental Activities</u>
Net Assets/Fund Balance, December 31, 2007	\$ -	\$ 21,884,147
Restatement due to Cash with Fiscal Agent	497,156	497,156
Restated Net Assets/Fund Balance, December 31, 2007	<u>\$ 497,156</u>	<u>\$ 22,381,303</u>

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

To the Board of Trustees
Colerain Township, Ohio:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Colerain Township, Hamilton County, Ohio (Township) as of and for the year ended December 31, 2008, which collectively comprise the Township's basic financial statements and have issued our report thereon dated May 17, 2011 wherein we noted the Township uses the modified cash basis of accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the schedule of findings and responses, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described and labeled as items 2009/2008-1, 2009/2008-2 and 2009/2008-3 in the accompanying schedule of findings and responses to be material weaknesses.

105 east fourth street, ste. 1500
cincinnati, oh 45202

www.cshco.com
p. 513.241.3111
f. 513.241.1212

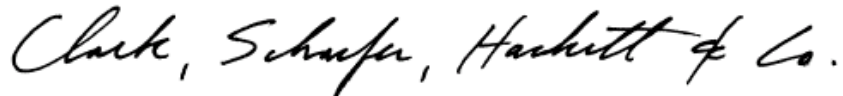
Compliance And Other Matters

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We noted certain matters that we reported to management of the Township in a separate letter dated May 17, 2011.

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



Cincinnati, Ohio
May 17, 2011

COLERAIN TOWNSHIP, HAMILTON COUNTY, OHIO
Schedule of Findings and Responses
Year Ended December 31, 2008

Financial Statement Findings

Finding 2009/2008-1 – Financial Statements

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial statements for external reporting purposes. Effective monitoring controls should enable management to identify miscalculations, errors and omissions in financial statements.

During the course of our audit, we identified material misclassifications and misstatements in the financial statements that were not initially identified by the Township's internal control over financial reporting. These errors occurred as part of the Township's preparation of its financial statements in a GASB 34 look-a-like format.

We recommend the Township implement procedures to ensure that its financial statements are presented in an accurate and reliable manner. Such procedures should include a more robust review of the financial statements.

Management response: *We would like to reiterate that these errors occurred as part of the preparation of the financial statements in the GASB 34 look-a-like format, not part of the daily operations and reporting. The preparation of the statements will be reviewed.*

Finding 2009/2008-2 – Restatement of Financial Statements

All financial activity of the Township should be recorded in the Township's books and records. However, in prior years the Township issued Tax Increment Revenue Notes that were not recorded on the books or financial statements of the Township. The debt proceeds were deposited in trustee accounts and the trustee made disbursements for the related capital projects and held unspent cash balances. These transactions and balances should have been reflected in the Township's financial statements. A prior period adjustment was necessary to record the cash held by the trustee as of December 31, 2007. Furthermore, the transactions related to refinancing of the notes in 2008 as well as additional capital disbursements also needed to be recorded in the 2008 financial statements.

We recommend the Township implement procedures to insure that all Township financial activity is accurately reported on the books and records and in the Township's financial statements.

Management response: *In 2006, the Township issued \$4,040,000 in Bond Anticipation Notes on behalf of the Stone Creek Development. These Notes were 100% secured by a Letter of Credit that would fully repay the Notes should the revenues from the development not be sufficient. The Township had no legal liability associated with this transaction due to the Letter of Credit that was posted. As a condition by the Letter of Credit Bank, the proceeds from the Note was held by a trustee bank and the proceeds were dispersed directly from the trustee bank to pay the eligible construction expenses. Bond counsel is retained to over-see the expenditures of all project funds and interest.*

Finding 2009/2008-3 – Unrecorded Receipts and Cash

As of December 31, 2009 and 2008, the Township had an investment account with a local financial institution that included investments in various United States federal agency securities as well as a government money market fund with a balance of approximately \$204,000. This money market account has not been recorded on the Township's books. The balance is a result of interest receipts on securities received during the period from February 2008 to August 2008. In all other months of 2008 and during 2009, these interest receipts were automatically swept from the investment account to the Township's bank account and were recorded at that time. However, these receipts approximating \$204,000 were not swept to the checking account and the Township did not record the receipts. Therefore adjustments were needed to reflect the additional cash balance at both December 31, 2009 and 2008 as well as the additional revenue in 2008.

We recommend the Township implement procedures to insure that all Township financial activity is accurately reported on the books and records and in the Township's financial statements.

Management response: *This money market fund was meant to hold funds before being re-invested in a long-term security, as it produced a higher interest rate than our regular checking account. Because of this, it had a variable balance. Monthly, we reviewed the balance on the statements. This account was closed in 2010. If, in the future, accounts such as this are opened, we will ensure they are recorded on the books. Further, we will update our investment policy to require this.*

COLERAIN TOWNSHIP, HAMILTON COUNTY, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2008

Finding 2007-1 – Financial Statements

Monitoring controls are procedures and supervisory activities performed by management to help ensure that management's objectives are being achieved, including the objective of assuring accurate and reliable financial statements for external reporting purposes. Effective monitoring controls should enable management to identify miscalculations, errors and omissions in financial reports.

During the course of our audit, we identified material misclassifications and misstatements in the financial statements for the year under audit that were not initially identified by the Township's internal control. These errors occurred as part of the Township's preparation of its financial statements in a GASB 34 look-a-like format.

Current Status: *Finding repeated in current year.*

Finding 2007-2 – Encumbering

Ohio Revised Code § 5705.41(D)(1) states that no orders or contracts involving the expenditure of money are to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances, with certain exceptions.

Twenty (20%) percent of the transactions tested were not certified by the fiscal officer at the time the commitment was incurred. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used properly, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk certify that the funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

Current Status: *Corrected in current year.*

Finding 2007-3 – Conflict of Interest

Ohio Revised Code § 2921.42(A)(1) states, in part, that no public official shall knowingly authorize or employ the authority or influence of his office to secure authorization of any public contract in which he, or a member of his family has an interest.

Ohio Revised Code § 102.03(D) states, that no public official or employee shall use or authorize the use of the authority or influence of office or employment to secure anything of value or the promise or offer of anything of value that is of such a character as to manifest a substantial and improper influence upon the official or employee with respect to the person's duties.

During the course of our audit, it was noted that Trustee Bernard Fiedelday voted to hire his grandchildren as part-time seasonal employees of the Township's Parks department in 2006, 2007 and 2008.

We recommend the Township, with the assistance of its legal counsel, develop a conflict of interest policy, and require its employees and elected officials to sign an annual statement stating he/she has received a copy of the conflict of interest policy, has read and understands the policy, has agreed to comply with the policy, and disclose affiliations which may represent a potential conflict of interest. Designated township management should review these statements to help reduce the likelihood of conflicts of interest or undisclosed related party transactions

This matter was referred to the Ohio Ethics Commission by the Auditor of State's Office.

Current Status: *No instances noted in the current year beyond what was previously reported.*

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Dave Yost • Auditor of State

COLERAIN TOWNSHIP

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
SEPTEMBER 20, 2011**