



**Auditor of State
Betty Montgomery**

COLERAIN TOWNSHIP
HAMILTON COUNTY

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**Auditor of State
Betty Montgomery**

Colerain Township
Hamilton County
4200 Springdale Road
Cincinnati, Ohio 45251

To the Board of Trustees:

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

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

October 24, 2006

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Colerain Township
Hamilton County
4200 Springdale Road
Cincinnati, Ohio 45251

To the Board of Trustees:

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

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

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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2006, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

October 24, 2006

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$508,359	\$12,827,965			\$13,336,324
Intergovernmental	2,028,221	2,752,271		\$16,389	4,796,881
Special Assessments		45,515			45,515
Licenses, Permits, and Fees	831,170	192,470			1,023,640
Fines, Forfeitures, and Penalties		101,749			101,749
Earnings on Investments	417,344	2,800	\$32,757		452,901
Other Revenue	212,645	452,599			665,244
Total Cash Receipts	<u>3,997,739</u>	<u>16,375,369</u>	<u>32,757</u>	<u>16,389</u>	<u>20,422,254</u>
Cash Disbursements:					
Current:					
General Government	1,353,528	709,522			2,063,050
Public Safety		11,458,742			11,458,742
Public Works	234,056	1,252,108			1,486,164
Health	63,671				63,671
Conservation - Recreation	915,700				915,700
Debt Service:					
Redemption of Principal		248,590	425,000		673,590
Interest and Fiscal Charges		89,895	476,544		566,439
Capital Outlay	3,358,789	2,457,502		16,389	5,832,680
Total Cash Disbursements	<u>5,925,744</u>	<u>16,216,359</u>	<u>901,544</u>	<u>16,389</u>	<u>23,060,036</u>
Total Receipts Over/(Under) Disbursements	<u>(1,928,005)</u>	<u>159,010</u>	<u>(868,787)</u>	<u>0</u>	<u>(2,637,782)</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	184,153	214,813	635,102		1,034,068
Transfers-Out	(1,034,068)	0	0	0	(1,034,068)
Other Uses	(15,139)	0	0	0	(15,139)
Total Other Financing Receipts/(Disbursements)	<u>(865,054)</u>	<u>214,813</u>	<u>635,102</u>	<u>0</u>	<u>(15,139)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(2,793,059)</u>	<u>373,823</u>	<u>(233,685)</u>	<u>0</u>	<u>(2,652,921)</u>
Fund Cash Balances, January 1	<u>15,400,313</u>	<u>9,469,313</u>	<u>253,479</u>		<u>25,123,105</u>
Fund Cash Balances, December 31	<u>\$12,607,254</u>	<u>\$9,843,136</u>	<u>\$19,794</u>	<u>\$0</u>	<u>\$22,470,184</u>
Reserve for Encumbrances, December 31	<u>\$2,059,903</u>	<u>\$687,105</u>	<u>\$0</u>	<u>\$105,344</u>	<u>\$2,852,352</u>

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

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**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Colerain Township, Hamilton County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides road and bridge maintenance, fire and police protection and emergency medical services.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

The Township values U.S. Treasury Notes at cost. Investments in STAR Ohio are recorded at share values that STAR Ohio reports.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Police District Fund

This fund receives money from a continuing levy for the operation of a police department which serves the residents of the Township.

Fire District Fund

This fund receives money from a continuing levy for the operation of a fire department which serves the residents of the Township.

Road and Bridge Fund

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

3. Debt Service Funds

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

Building Improvement Bond Fund

This fund receives monies by transfer from the General Fund for the repayment of bonds associated with the construction of Township facilities.

Park Bond Fund

This fund receives monies by transfer from the General Fund for the repayment of bonds associated with the construction of Township park facilities.

Fire Bond Fund

This fund receives monies by transfer from the Fire Fund for the repayment of bonds associated with the construction of Fire and EMS facilities.

Public Works Building Bond Retirement Fund

This fund receives monies by transfer from the General Fund for the repayment of bonds associated with the construction of the Township's new Public Works building.

4. Capital Project Funds

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

Issue II Fund - The Township received a grant from the State of Ohio for park improvements.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

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

1. Appropriations

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

2. Estimated Resources

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

3. Encumbrances

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

A summary of 2004 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Township maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31, 2004 was as follows:

Demand deposits	<u>\$10,070,184</u>
Total deposits	<u>10,070,184</u>
U.S. Treasury Notes	10,000,000
STAR Ohio	<u>2,400,000</u>
Total investments	<u>12,400,000</u>
Total deposits and investments	<u><u>\$22,470,184</u></u>

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

2. EQUITY IN POOLED CASH AND INVESTMENTS (Continued)

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

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

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

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2004 follows:

2004 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,211,923	\$4,181,892	\$969,969
Special Revenue	15,885,611	16,590,182	704,571
Debt Service	716,000	667,859	(48,141)
Capital Projects	0	16,389	16,389
Total	\$19,813,534	\$21,456,322	\$1,642,788

2004 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,928,327	\$9,034,854	\$2,893,473
Special Revenue	19,795,834	16,903,464	2,892,370
Debt Service	989,705	901,544	88,161
Capital Projects	105,344	121,733	(16,389)
Total	\$32,819,210	\$26,961,595	\$5,857,615

4. PROPERTY TAX

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

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

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

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

5. DEBT

Debt outstanding at December 31, 2004 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Improvement Bonds	\$2,500,000	3% to 5%
Fire Department Bonds	2,825,000	3% to 5%
Park Bonds	3,585,000	3% to 5%
Building Improvement Refunding Bonds	<u>1,020,000</u>	2.75% to 4.75%
Total Long-term Bonds	9,930,000	
Colerain Square Tax Increment Revenue Notes	373,000	6.50%
Target Tax Increment Revenue Bonds	<u>1,161,410</u>	4.50%
Total Tax Increment Revenue Debt	<u>1,534,410</u>	
Total Long-term Debt	<u><u>\$11,464,410</u></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.

The Colerain Square Ohio Tax Increment Financing (TIF) Revenue Note was issued on July 9, 1998 with a total face value of \$965,000. The Service Agreement and Trust Agreement related to this Note were amended on July 1, 2001. This TIF was issued as provided for by Ohio Revised Code Sections 5709.73 through 5709.75, and pursuant to a resolution adopted by the Board of Trustees on December 9, 1997.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

5. DEBT

The Developer is Colerain Associates LTD, an Ohio limited liability company. The Developer and the Township entered into the original Service Agreement dated July 1, 1998. The note was issued to finance construction of public improvements to an 18.284 acre parcel #510-182-58 known as the "Lowe's Parcel." The improvements were intended to be used principally for commercial purposes. The Developer, its successors, assigns and transferees commenced Service Payments on the first date for payment of real property taxes after the calendar year with respect to which the improvements would first have been assessed for real property taxes had an exemption with respect to the improvements not been applied for by the Developer and allowed under Sections 5709.73 through 5709.75, Ohio Revised Code, and shall continue to make Service Payments no later than the final date for payment of real property taxes in such year and each year thereafter until termination or expiration of the agreement. The related activity for this Note is included in the Township's Special Revenue Fund Type included within the accompanying financial statements.

The Target Ohio Tax Increment Financing (TIF) Revenue Bonds were issued on October 15, 2002 with a total face value of \$1,300,000. These Bonds 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 Bonds 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 Bonds 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 Bonds. 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. 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 Bonds. These Bonds 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 Bonds outstanding to enable the Trustee to pay the principal amount of the Bonds 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 Bonds computed at the of interest on the Bonds for a period of 195 days to enable the Trustee to pay interest due on the Bonds. The related activity for these Bonds is included in the Township's Special Revenue Fund Type included within the accompanying financial statements.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

5. DEBT (Continued)

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

Year ending December 31:	Building Improvement Bonds	Fire Department Bonds	Parks Department Bonds	Building Improvement Refunding Bonds
2005	\$223,350	\$248,818	\$319,495	\$112,458
2006	219,938	250,080	314,620	110,148
2007	221,210	250,820	319,295	112,733
2008	222,030	251,070	318,215	109,995
2009	222,430	250,870	316,615	112,108
2010 - 2014	1,105,855	1,248,215	1,582,747	553,740
2015 - 2019	1,101,223	1,248,715	1,581,298	219,625
2020 - 2022	441,000	500,250	634,500	
Total	<u>\$3,757,036</u>	<u>\$4,248,838</u>	<u>\$5,386,785</u>	<u>\$1,330,807</u>

Year ending December 31:	Colerain Square TIF Revenue Notes	Target TIF Revenue Notes	Grand Totals
2005	\$140,245	\$197,093	\$1,241,459
2006	141,705	197,096	1,233,587
2007	143,580	197,095	1,244,733
2008		197,088	1,098,398
2009		197,091	1,099,114
2010 - 2014		394,187	4,884,744
2015 - 2019			4,150,861
2020 - 2022			1,575,750
Total	<u>\$425,530</u>	<u>\$1,379,650</u>	<u>\$16,528,646</u>

6. RETIREMENT SYSTEMS

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

The Ohio Revised Code also prescribes contribution rates. For 2004 members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS members contributed 8.5 percent of their gross salaries. The Township contributed an amount equaling 9.55 percent of participants' gross salaries. The law enforcement employees contributed 10.1 percent of their annual salary to OPERS-LE and the Township contributed 12.7 percent of the covered payroll. The Township has paid all contributions required through December 31, 2004.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

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

7. RISK POOL MEMBERSHIP

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$10,000,000 from the General Reinsurance Corporation.

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

Property Coverage

OTARMA retains property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsures losses exceeding \$100,000 up to \$500,000,000 per occurrence. APEEP's Guarantee Fund pays losses and loss adjustment expenses exceeding operating contributions.

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

Financial Position

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

<u>Casualty Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$30,687,203	\$27,792,223
Liabilities	(13,640,962)	(11,791,300)
Retained earnings	\$17,046,241	\$16,000,923

COLERAIN TOWNSHIP
HAMILTON COUNTY

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

7. RISK POOL MEMBERSHIP (Continued)

<u>Property Coverage</u>	<u>2004</u>	<u>2003</u>
Assets	\$7,799,073	\$6,791,060
Liabilities	(753,906)	(750,956)
Retained earnings	<u>\$7,045,167</u>	<u>\$6,040,104</u>

8. CONTINGENT LIABILITIES

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

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**Auditor of State
Betty Montgomery**

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

Colerain Township
Hamilton County
4200 Springdale Road
Cincinnati, Ohio 45251

To the Board of Trustees:

We have audited the financial statements of Colerain Township, Hamilton County, Ohio (the Township), of and for the year ended December 31, 2004 and have issued our report thereon dated October 24, 2006, wherein we noted the Township followed accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated October 24, 2006, we reported a matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the Township's management dated October 24, 2006, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of the audit committee, management and the Board of Trustees.

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

Betty Montgomery
Auditor of State

October 24, 2006

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2003-001	A finding for recovery was issued against a former employee in the amount of \$237.83 for using a Township telephone to make personal toll and long distance calls.	The finding for recovery has not been repaid.	The Ohio Attorney General and the Township's legal counsel have been informed of the finding for recovery.



**Auditor of State
Betty Montgomery**

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800-282-0370

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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
NOVEMBER 21, 2006**