



**Auditor of State
Betty Montgomery**

COLERAIN TOWNSHIP
HAMILTON COUNTY

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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, 2003 and 2002. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Township's financial transactions for the years ended December 31, 2003 and 2002 were processed using 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 conduct the audit of 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 that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 2003 and 2002, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2004 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive style with a large, prominent initial "B".

Betty Montgomery
Auditor of State

November 3, 2004

**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, 2003**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$520,986	\$12,516,096	\$0	\$0	\$13,037,082
Intergovernmental	1,975,335	1,982,279	0	16,803	3,974,417
Special Assessments	0	69,089	0	0	69,089
Licenses, Permits, and Fees	737,149	202,479	0	0	939,628
Fines, Forfeitures, and Penalties	0	84,239	0	0	84,239
Earnings on Investments	398,709	1,650	81,104	0	481,463
Other Revenue	396,298	401,235	0	0	797,533
Total Cash Receipts	<u>4,028,477</u>	<u>15,257,068</u>	<u>81,104</u>	<u>16,803</u>	<u>19,383,451</u>
Cash Disbursements:					
Current:					
General Government	1,213,182	505,077	0	0	1,718,259
Public Safety	0	10,647,973	0	0	10,647,973
Public Works	376,696	1,642,052	0	0	2,018,748
Health	77,034	0	0	0	77,034
Conservation - Recreation	874,171	0	0	0	874,171
Debt Service:					
Redemption of Principal	0	0	415,000	0	415,000
Interest and Fiscal Charges	0	0	487,178	0	487,178
Capital Outlay	1,014,577	1,198,864	0	16,803	2,230,244
Total Cash Disbursements	<u>3,555,660</u>	<u>13,993,966</u>	<u>902,178</u>	<u>16,803</u>	<u>18,468,607</u>
Total Receipts Over/(Under) Disbursements	<u>472,817</u>	<u>1,263,102</u>	<u>(821,074)</u>	<u>0</u>	<u>914,845</u>
Other Financing Receipts and (Disbursements):					
Transfers-In	0	327,000	902,178	0	1,229,178
Transfers-Out	(979,275)	(249,903)	0	0	(1,229,178)
Total Other Financing Receipts/(Disbursements)	<u>(979,275)</u>	<u>77,097</u>	<u>902,178</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>(506,458)</u>	<u>1,340,199</u>	<u>81,104</u>	<u>0</u>	<u>914,845</u>
Fund Cash Balances, January 1	<u>15,906,771</u>	<u>8,129,114</u>	<u>172,375</u>	<u>0</u>	<u>24,208,260</u>
Fund Cash Balances, December 31	<u><u>\$15,400,313</u></u>	<u><u>\$9,469,313</u></u>	<u><u>\$253,479</u></u>	<u><u>\$0</u></u>	<u><u>\$25,123,105</u></u>
Reserve for Encumbrances, December 31	<u><u>\$3,360,116</u></u>	<u><u>\$2,753,221</u></u>	<u><u>\$0</u></u>	<u><u>\$105,344</u></u>	<u><u>\$6,218,681</u></u>

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

**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, 2002**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$467,763	\$11,530,512	\$0	\$0	\$11,998,275
Intergovernmental	1,916,896	2,051,844	0	185,382	4,154,122
Special Assessments	0	58,429	0	0	58,429
Licenses, Permits, and Fees	765,695	141,127	0	0	906,822
Fines, Forfeitures, and Penalties	0	87,191	0	0	87,191
Earnings on Investments	646,636	6,067	144,067	0	796,770
Other Revenue	355,469	350,796	0	0	706,265
Total Cash Receipts	<u>4,152,459</u>	<u>14,225,967</u>	<u>144,067</u>	<u>185,382</u>	<u>18,707,874</u>
Cash Disbursements:					
Current:					
General Government	1,057,234	710,951	0	0	1,768,184
Public Safety	0	9,571,786	0	0	9,571,786
Public Works	546,119	2,001,023	0	0	2,547,142
Health	62,752	0	0	0	62,752
Conservation - Recreation	820,932	0	0	0	820,932
Debt Service:					
Redemption of Principal	0	78,441	380,000	0	458,441
Interest and Fiscal Charges	0	3,066	480,923	0	483,989
Capital Outlay	2,087,303	2,297,064	0	185,382	4,569,749
Total Cash Disbursements	<u>4,574,339</u>	<u>14,662,331</u>	<u>860,923</u>	<u>185,382</u>	<u>20,282,975</u>
Total Receipts (Under) Disbursements	<u>(421,880)</u>	<u>(436,364)</u>	<u>(716,856)</u>	<u>0</u>	<u>(1,575,100)</u>
Other Financing Receipts and (Disbursements):					
Transfers In	0	286,000	864,700	0	1,150,700
Transfers Out	(910,700)	(240,000)	0	0	(1,150,700)
Total Other Financing Receipts/(Disbursements)	<u>(910,700)</u>	<u>46,000</u>	<u>864,700</u>	<u>0</u>	<u>0</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(1,332,580)	(390,364)	147,844	0	(1,575,100)
Fund Cash Balances, January 1	<u>17,239,351</u>	<u>8,519,478</u>	<u>24,531</u>	<u>0</u>	<u>25,783,360</u>
Fund Cash Balances, December 31	<u>\$15,906,771</u>	<u>\$8,129,114</u>	<u>\$172,375</u>	<u>\$0</u>	<u>\$24,208,260</u>
Reserve for Encumbrances, December 31	<u>\$308,971</u>	<u>\$568,365</u>	<u>\$0</u>	<u>\$403,156</u>	<u>\$1,280,492</u>

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

The investment in STAROHIO (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer. All other investments are valued at cost.

D. Fund Accounting

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

1. General Fund

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

2. Special Revenue Funds

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

Police District Fund

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. Debt Service Funds

The Debt Service Funds are used to accumulate resources for the payment of bond and note indebtedness. 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 association with the construction of Township facilities.

Park Bond Fund

This fund receives monies by transfer from the General Fund for the repayment of bonds association 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 association with the construction of Fire Department facilities.

4. Capital Project Funds

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

OPWC Compton Estate Fund

The Township received grants from the State of Ohio to improve various Township streets.

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.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2003 and 2002 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2003</u>	<u>2002</u>
Demand deposits	\$12,717,953	\$13,818,108
Certificates of Deposit	<u>10,005,152</u>	<u>5,990,152</u>
Total deposits	<u>22,723,105</u>	<u>19,808,260</u>
STAR Ohio	<u>2,400,000</u>	<u>4,400,000</u>
Total investments	<u>2,400,000</u>	<u>10,390,152</u>
Total deposits and investments	<u>\$25,123,105</u>	<u>\$24,208,260</u>

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

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending December 31, 2003 and 2002 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$3,080,200	\$4,028,477	\$948,277
Special Revenue	15,050,100	15,584,068	533,968
Debt Service	640,950	983,282	342,332
Capital Projects	0	16,803	16,803
Total	<u>\$18,771,250</u>	<u>\$20,612,630</u>	<u>\$1,841,380</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$11,155,954	\$7,895,051	\$3,260,903
Special Revenue	19,165,824	16,997,090	2,168,734
Debt Service	902,178	902,178	0
Capital Projects	122,147	122,147	0
Total	<u>\$31,346,103</u>	<u>\$25,916,466</u>	<u>\$5,429,637</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$5,199,186	\$4,152,459	(\$1,046,727)
Special Revenue	15,846,629	14,511,967	(1,334,662)
Debt Service	864,700	1,008,767	144,067
Capital Projects	588,538	185,382	(403,156)
Total	<u>\$22,499,053</u>	<u>\$19,858,575</u>	<u>(\$2,640,478)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$9,280,491	\$5,794,010	\$3,486,481
Special Revenue	18,803,194	15,470,696	3,332,498
Debt Service	864,700	860,923	3,777
Capital Projects	588,538	588,538	0
Total	<u>\$29,536,923</u>	<u>\$22,714,167</u>	<u>\$6,822,756</u>

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

4. PROPERTY TAX

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

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

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

5. DEBT

Debt outstanding at December 31, 2003 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Building Improvement Bonds	\$2,600,000	3% - 5%
Fire Department Bonds	2,940,000	3% - 5%
Park Bonds	3,730,000	3% - 5%
Building Improvement Refunding Bonds	1,085,000	2.75% - 4.75%
Total	<u>\$10,355,000</u>	

The Township made final payment on an Equipment Lease during 2002.

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

The Building Improvement Bonds were issued December 15, 2001 for the purpose of relocating the Township 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 East Miami River Road Park. The bonds are collateralized solely by the Township's taxing authority.

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

5. DEBT (Continued)

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

	Building Improvement Refunding Bonds	Building Improvement Bonds	Fire Department Bonds	Park Bonds
Year ending December 31:				
2004	\$109,440	\$221,250	\$252,153	\$318,700
2005	112,458	223,350	248,818	319,495
2006	110,148	219,938	250,080	314,620
2007	112,733	221,210	250,820	319,295
Subsequent	995,461	3,092,538	3,499,118	4,433,375
Total	<u>\$1,440,239</u>	<u>\$3,978,286</u>	<u>\$4,500,988</u>	<u>\$5,705,485</u>

6. RETIREMENT SYSTEMS

The Township's full-time and part-time employees belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. The plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Township's law enforcement officers belong to the Public Employees Retirement System – Law Enforcement (PERS-LE). The Township's full-time fire employees belong to the Police and Firemen's Disability and Pension Funds (PFDPF). Both the PERS-LE and the PFDPF are cost-sharing, multiple employer plans. These plans provide retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

The Ohio Revised Code provides statutory authority for member and employer contributions. PERS members contributed 8.5% of their gross salaries and PERS-LE members contributed 10.1% of their gross salaries. The Township contributed an amount equal to 8.55% of participants' gross salaries for 2003 and 2002 except for those plan members in law enforcement. For those classifications, the Township's pension contributions were 11.7% of covered payroll. The Township has paid all contributions required through December 31, 2003.

7. RISK MANAGEMENT

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

**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002
(Continued)**

7. RISK MANAGEMENT (Continued)

Casualty Coverage

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

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

Property Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31 2003 and 2002.

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

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

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Auditor of State Betty Montgomery

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

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, 2003 and 2002, and have issued our report thereon dated November 3, 2004 wherein we noted that the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2003-001. We also noted an immaterial instance of noncompliance that we have reported to the Township's management in a separate letter dated November 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the Township's management in a separate letter dated November 3, 2004.

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

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

Betty Montgomery
Auditor of State

November 3, 2004

COLERAIN TOWNSHIP
HAMILTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2003 AND 2002

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

FINDING NUMBER 2003-001

Finding for Recovery

State ex rel. McClure v. Hagerman, 155 Ohio St 320 (1951), provides that expenditures made by a public entity serve a proper public purpose. *McClure* indicates that as a general rule, the question of whether the performance of an act or the accomplishment of a specific purpose constitutes a "public purpose" for which funds may be lawfully disbursed rests the judgment of the authorities, unless arbitrary or unreasonable.

Section XXII, C, 7 (Employee Behavior, Grievance, and Discipline) of the Township's Personnel Policies & Procedures Manual prohibits "theft or intentional destruction of the Township's property or another employee's property." The use (theft) of Township property for personal use is prohibited per the Township's employee manual.

Steve Setzer made personal toll and long distance calls in the amount of \$237.83 from May 6, 2003 to June 4, 2003 using a telephone located at the Colerain Parks Crafts Facility. These calls appeared on the monthly Township telephone bill after Mr. Setzer's employment ended, and were subsequently paid by the Township. As of November 3, 2004 Mr. Setzer had not reimbursed the Township for the cost of these telephone calls.

In accordance with the foregoing facts and pursuant to Ohio Rev. Code, Section 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Steve Setzer in the amount of \$237.83.

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**COLERAIN TOWNSHIP
HAMILTON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDED DECEMBER 31, 2003 AND 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-40431-001	Reportable Condition, the Township did not perform accurate and timely bank reconciliations.	Yes	



**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
DECEMBER 7, 2004**