



Colerain Township, Ohio

Basic Financial Statements

Year Ended December 31, 2011

(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 Accountants' Report of Colerain Township, Hamilton County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2011 through December 31, 2011. 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

November 27, 2012

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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, 2011, 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, 2011, 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.

As described in Note 14, during 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2012, 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

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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.

We conducted our audit to opine on the Township's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net assets, changes in net assets and governmental activities. These tables provide additional information, but are not part of the basic financial statements. However these tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 31, 2012

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011, 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 2011 are as follows:

Net assets of governmental activities increased \$1,501,201 or 8%.

The Township's general receipts are primarily property taxes. These receipts represent 50% of the total cash received for governmental activities during the year.

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.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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 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 2011, 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

Colerain Township of Hamilton County, Ohio
 Management's Discussion and Analysis
 For the Year Ended December 31, 2011
 Unaudited

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.

The Township as a Whole

Table 1 provides a summary of the Township's net assets for 2011 and 2010 on a modified cash basis.

Table 1	Governmental Activities 2011	Governmental Activities 2010
Assets		
Cash and Investments	\$21,431,176	\$19,401,165
Cash with Fiscal Agent	-	528,810
<i>Total Assets</i>	\$21,431,176	\$19,929,975
Net Assets		
Restricted for:		
Capital Projects	1,667,191	\$1,246
Police	\$1,749,090	1,777,294
Fire	8,145,513	7,447,647
Ambulance/EMS	792,602	807,381
Other Purposes	1,997,129	2,353,604
Unrestricted	7,079,651	7,542,803
<i>Total Net Assets</i>	\$21,431,176	\$19,929,975

As mentioned previously, net assets of governmental activities increased \$1,501,201 or 8% during 2011.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Table 2 reflects the changes in net assets in 2011 compared to 2010.

(Table 2)
Changes in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
Receipts:		
Program Receipts:		
Charges for Services and Sales	\$1,661,358	\$1,640,246
Operating Grants and Contributions	620,393	943,991
Capital Grants and Contributions	320,791	212,431
Total Program Receipts	<u>2,602,542</u>	<u>2,796,668</u>
General Receipts:		
Property and Other Local Taxes	18,266,100	15,360,698
Grants and Entitlements Not Restricted to Specific Programs	2,932,486	4,157,994
Bonds Issued	9,955,000	--
Interest	114,067	446,959
Miscellaneous	3,013,738	2,326,675
Total General Receipts	<u>34,281,391</u>	<u>22,292,326</u>
Total Receipts	<u>36,883,933</u>	<u>25,088,994</u>
Disbursements:		
General Government	2,269,671	2,568,462
Public Safety	16,108,291	15,889,954
Public Works	2,433,805	2,606,263
Health	70,683	71,799
Conservation/Recreation	1,367,987	1,384,015
Human Services	2,867	6,760
Capital Outlay	1,675,379	2,536,015
Principal Retirement/Escrow Payment	10,672,302	1,420,480
Interest and Fiscal Charges	781,747	618,118
Total Disbursements	<u>35,382,732</u>	<u>\$27,101,866</u>
Increase (Decrease) in Net Assets	1,501,201	(2,012,872)
Net Assets, January 1,	<u>19,929,975</u>	<u>21,942,847</u>
Net Assets, December 31,	<u>\$21,431,176</u>	<u>\$19,929,975</u>

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Program receipts represent only 7% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, and inspection fees.

General receipts represent 93% of the Township's total receipts, and of this amount, 54% are local taxes. State grants and entitlements make up the balance of the Township's general receipts. Other receipts are very insignificant individually 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.

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 58% of all governmental disbursements. General government also represents a significant cost, about 6%. 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.

Table 3
Government Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
General Government	2,269,671	(2,269,671)	2,568,462	(2,568,462)
Public Safety	16,108,291	(14,990,215)	15,889,954	(14,746,295)
Public Works	2,433,805	(1,041,491)	2,606,263	(1,345,651)
Health/Human Services/Other	73,550	(73,550)	78,559	(71,799)
Conservation-Recreation	1,367,987	(1,275,835)	1,384,015	(998,378)
Capital Outlay	1,675,379	(1,675,379)	2,536,015	(2,536,015)
Principal Retirement/Escrow	10,672,302	(10,672,302)	1,420,480	(1,420,480)
Interest and Fiscal Charges	781,747	(781,747)	618,118	(618,118)
Total Expenses	35,382,732	(32,780,190)	\$27,101,866	\$(24,305,198)

The dependence upon property tax receipts is apparent as 52% of governmental activities are supported through these general receipts.

Colerain Township of Hamilton County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The Township's Funds

Total governmental funds had receipts of \$26,678,003 and disbursements of \$27,014,040. The Township's major funds are the General Fund, Police District Fund, Fire District Fund, Ambulance EMS Fund, and the TIF Fund. These funds' receipts and disbursements are detailed on page 12.

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 2011, the Township estimated general fund receipts at \$4,325,000, but actual receipts were \$4,847,965. The low budget amount was due to receiving more local government distribution, estate tax, reimbursement from insurance for a roof repair, a grant for the streetscape program as well as the sale of notes.

Final general fund disbursements were budgeted at \$6,171,099 while actual disbursements were \$4,766,085. Actual disbursements were \$1,405,014 lower than budgeted disbursements due to across the board spending reductions.

Debt Administration

At December 31, 2011, the Township's outstanding debt included \$12,020,000 in general obligation bonds issued for construction buildings and structures and refunding. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

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. We rely heavily on local taxes and have 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; harlow@coleraintwp.org.

Colerain Township, Hamilton County
Statement of Net Assets - Modified Cash Basis
December 31, 2011

	Governmental Activities
Assets	
Cash and Investments	<u>\$ 21,431,176</u>
<i>Total Assets</i>	<u><u>21,431,176</u></u>
Net Assets	
Restricted for:	
Capital Projects	1,667,191
Police	1,749,090
Fire	8,145,513
Ambulance/EMS	792,602
Other Purposes	1,997,129
Unrestricted	<u>7,079,651</u>
<i>Total Net Assets</i>	<u><u>\$ 21,431,176</u></u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Activities - Modified Cash Basis
For the Year Ended December 31, 2011

	Program Cash Receipts				Net (Disbursements)
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Receipts and Changes in Net Assets
Governmental Activities					
General Government	\$ 2,269,671	\$ -	\$ -	\$ -	\$ (2,269,671)
Public Safety	16,108,291	1,118,076	-	-	(14,990,215)
Public Works	2,433,805	451,130	620,393	320,791	(1,041,491)
Health	70,683	-	-	-	(70,683)
Human Services	2,867	-	-	-	(2,867)
Conservation-Recreation	1,367,987	92,152	-	-	(1,275,835)
Capital Outlay	1,675,379	-	-	-	(1,675,379)
Debt Service:					
Principal	2,303,610	-	-	-	(2,303,610)
Payment to Bond Escrow Agent	8,368,692	-	-	-	(8,368,692)
Interest and fiscal charges	781,747	-	-	-	(781,747)
<i>Total Governmental Activities</i>	<u>\$ 35,382,732</u>	<u>\$ 1,661,358</u>	<u>\$ 620,393</u>	<u>\$ 320,791</u>	<u>\$ (32,780,190)</u>

General Receipts

Property and Other Local Taxes	18,266,100
Grants/Entitlements not Restricted to Programs	2,932,486
Bonds Issued	9,955,000
Interest	114,067
Miscellaneous	3,013,738
<i>Total General Receipts</i>	<u>34,281,391</u>
Change in Net Assets	1,501,201
<i>Net Assets Beginning of Year</i>	<u>19,929,975</u>
<i>Net Assets End of Year</i>	<u>\$ 21,431,176</u>

See accompanying notes to the basic financial statements

Colerain Township, Hamilton County
Statement of Modified-Cash Basis Assets and Fund Balances
 December 31, 2011

	General	Police District Fund	Fire District Fund	Ambulance EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Assets							
Cash and Investments	\$ 8,745,370	\$ 1,749,090	\$ 8,145,513	\$ 792,602	\$ 603,989	\$ 1,394,612	\$21,431,176
<i>Total Assets</i>	<u>8,745,370</u>	<u>1,749,090</u>	<u>8,145,513</u>	<u>792,602</u>	<u>603,989</u>	<u>1,394,612</u>	<u>21,431,176</u>
Fund Balances							
Restricted	1,667,191	1,749,090	8,145,513	792,602	603,989	1,393,140	14,351,525
Assigned	3,125,753	-	-	-	-	1,472	3,127,225
Unassigned	3,952,426	-	-	-	-	-	3,952,426
<i>Total Fund Balances</i>	<u>\$ 8,745,370</u>	<u>\$ 1,749,090</u>	<u>\$ 8,145,513</u>	<u>\$ 792,602</u>	<u>\$ 603,989</u>	<u>\$ 1,394,612</u>	<u>\$21,431,176</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
For the Year Ended December 31, 2011*

	General	Police District Fund	Fire District Fund	Ambulance EMS Fund	TIF Fund	Other Governmental Funds	Total Governmental Funds
Receipts							
Property and Other Local Taxes	\$ 669,089	\$ 4,007,499	\$10,297,054	\$ -	\$ 912,123	\$ 1,619,604	\$17,505,369
Charges for Services	-	-	-	1,058,076	-	-	1,058,076
Licenses, Permits and Fees	1,103,437	4,975	3,250	-	-	29,717	1,141,379
Fines and Forfeitures	-	62,583	-	-	-	5,442	68,025
Intergovernmental	1,871,623	547,841	1,411,266	-	-	1,088,129	4,918,859
Special Assessments	-	-	-	-	-	164,173	164,173
Earnings on Investments	113,872	-	-	-	-	195	114,067
Other	1,089,944	266,228	217,539	-	-	134,344	1,708,055
<i>Total Receipts</i>	<u>4,847,965</u>	<u>4,889,126</u>	<u>11,929,109</u>	<u>1,058,076</u>	<u>912,123</u>	<u>3,041,604</u>	<u>26,678,003</u>
Disbursements							
Current:							
General Government	1,783,011	-	-	-	188,929	297,731	2,269,671
Public Safety	-	4,668,141	10,329,107	1,072,855	-	38,188	16,108,291
Public Works	380,353	-	-	-	-	2,053,452	2,433,805
Health	70,683	-	-	-	-	-	70,683
Human Services	-	-	-	-	-	2,867	2,867
Conservation-Recreation	1,367,987	-	-	-	-	-	1,367,987
Capital Outlay	347,068	249,189	689,762	-	-	389,360	1,675,379
Debt Service:							
Principal Retirement	-	-	-	-	560,000	1,743,610	2,303,610
Interest and Fiscal Charges	170,247	-	-	-	194,887	416,613	781,747
<i>Total Disbursements</i>	<u>4,119,349</u>	<u>4,917,330</u>	<u>11,018,869</u>	<u>1,072,855</u>	<u>943,816</u>	<u>4,941,821</u>	<u>27,014,040</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>728,616</u>	<u>(28,204)</u>	<u>910,240</u>	<u>(14,779)</u>	<u>(31,693)</u>	<u>(1,900,217)</u>	<u>(336,037)</u>
Other Financing Sources (Uses)							
Bonds Issued	9,955,000	-	-	-	-	-	9,955,000
Transfers In	-	-	30,000	-	-	1,575,661	1,605,661
Transfers Out	(1,363,287)	-	(242,374)	-	-	-	(1,605,661)
Premium on Bonds	250,930	-	-	-	-	-	250,930
Payment to Bond Escrow Agent	(8,368,692)	-	-	-	-	-	(8,368,692)
<i>Total Other Financing Sources (Uses)</i>	<u>473,951</u>	<u>-</u>	<u>(212,374)</u>	<u>-</u>	<u>-</u>	<u>1,575,661</u>	<u>1,837,238</u>
<i>Net Change in Fund Balances</i>	<u>1,202,567</u>	<u>(28,204)</u>	<u>697,866</u>	<u>(14,779)</u>	<u>(31,693)</u>	<u>(324,556)</u>	<u>1,501,201</u>
<i>Fund Balances Beginning of Year</i>	<u>7,542,803</u>	<u>1,777,294</u>	<u>7,447,647</u>	<u>807,381</u>	<u>635,682</u>	<u>1,719,168</u>	<u>19,929,975</u>
<i>Fund Balances End of Year</i>	<u>\$ 8,745,370</u>	<u>\$ 1,749,090</u>	<u>\$ 8,145,513</u>	<u>\$ 792,602</u>	<u>\$ 603,989</u>	<u>\$ 1,394,612</u>	<u>\$21,431,176</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, 2011

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Receipts				
Property and Other Local Taxes	\$ 641,000	\$ 641,000	\$ 669,089	\$ 28,089
Licenses, Permits and Fees	1,155,000	1,155,000	1,103,437	(51,563)
Intergovernmental	1,978,000	1,978,000	1,871,623	(106,377)
Interest	250,000	250,000	113,872	(136,128)
Other	301,000	301,000	1,089,944	788,944
<i>Total receipts</i>	<u>4,325,000</u>	<u>4,325,000</u>	<u>4,847,965</u>	<u>522,965</u>
Disbursements				
Current:				
General Government	2,861,656	2,802,615	2,087,208	715,407
Public Works	799,695	783,196	583,274	199,922
Health	100,222	98,154	73,099	25,055
Conservation-Recreation	1,962,242	1,921,758	1,431,202	490,556
Capital Outlay	577,287	565,376	421,055	144,321
Debt Service:				
Interest and Fiscal Charges	-	-	170,247	(170,247)
<i>Total Disbursements</i>	<u>6,301,102</u>	<u>6,171,099</u>	<u>4,766,085</u>	<u>1,405,014</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(1,976,102)</u>	<u>(1,846,099)</u>	<u>81,880</u>	<u>1,927,979</u>
Other Financing Sources (Uses)				
Transfers Out	(1,363,287)	(1,493,289)	(1,363,287)	130,002
Sale of Bonds	-	-	9,955,000	9,955,000
Premium on Bonds	-	-	250,930	250,930
Other Financing Uses	-	-	(8,368,692)	(8,368,692)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,363,287)</u>	<u>(1,493,289)</u>	<u>473,951</u>	<u>1,967,240</u>
<i>Net Change in Fund Balance</i>	(3,339,389)	(3,339,388)	555,831	3,895,219
<i>Fund Balance Beginning of Year</i>	6,697,229	6,697,229	6,697,229	-
Prior Year Encumbrances Appropriated	845,574	845,574	845,574	-
<i>Fund Balance End of Year</i>	<u>\$ 4,203,414</u>	<u>\$ 4,203,415</u>	<u>\$ 8,098,634</u>	<u>\$ 3,895,219</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, 2011

	<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	\$10,240,978	\$10,240,978	\$ 10,297,054	\$56,076
Licenses, Permits and Fees	3,000	3,000	3,250	250
Intergovernmental	1,460,367	1,460,367	1,411,266	(49,101)
Other	150,000	150,000	217,539	67,539
<i>Total receipts</i>	<u>11,854,345</u>	<u>11,854,345</u>	<u>11,929,109</u>	<u>74,764</u>
Disbursements				
Current:				
Public Safety	11,480,970	11,480,970	10,663,670	817,300
Capital Outlay	1,207,587	1,207,587	900,851	306,736
<i>Total Disbursements</i>	<u>12,688,557</u>	<u>12,688,557</u>	<u>11,564,521</u>	<u>1,124,036</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(834,212)</u>	<u>(834,212)</u>	<u>364,588</u>	<u>1,198,800</u>
Other Financing Sources (Uses)				
Transfers In	60,000	60,000	30,000	(30,000)
Transfers Out	(242,373)	(242,375)	(242,374)	1
<i>Total Other Financing Sources (Uses)</i>	<u>(182,373)</u>	<u>(182,375)</u>	<u>(212,374)</u>	<u>(29,999)</u>
<i>Net Change in Fund Balance</i>	(1,016,585)	(1,016,587)	152,214	1,168,801
<i>Fund Balance Beginning of Year</i>	6,797,090	6,797,090	6,797,090	0
Prior Year Encumbrances Appropriated	650,557	650,557	650,557	0
<i>Fund Balance End of Year</i>	<u>\$6,431,062</u>	<u>\$6,431,060</u>	<u>\$7,599,861</u>	<u>\$1,168,801</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, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Receipts				
Charges for Services	\$890,000	\$890,000	1,058,076	168,076
<i>Total receipts</i>	890,000	890,000	\$1,058,076	168,076
Disbursements				
Current:				
Public Safety	\$1,120,737	\$1,120,737	1,079,619	41,118
<i>Total Disbursements</i>	1,120,737	1,120,737	1,079,619	41,118
<i>Net Change in Fund Balance</i>	(230,737)	(230,737)	(21,543)	209,194
<i>Fund Balance Beginning of Year</i>	779,644	779,644	779,644	0
Prior Year Encumbrances Appropriated	27,737	27,737	27,737	0
<i>Fund Balance End of Year</i>	\$576,644	\$576,644	\$785,838	\$209,194

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Receipts				
Property and Other Local Taxes	\$4,150,000	\$4,150,000	\$ 4,007,499	(\$142,501)
Licenses, Permits and Fees	3,000	3,000	4,975	1,975
Fines and Forfeitures	60,000	60,000	62,583	2,583
Intergovernmental	418,765	418,765	547,841	129,076
Other	162,000	162,000	266,228	104,228
<i>Total receipts</i>	<u>4,793,765</u>	<u>4,793,765</u>	<u>4,889,126</u>	<u>95,361</u>
Disbursements				
Current:				
Public Safety	5,117,270	5,137,270	4,747,031	390,239
Capital Outlay	419,425	419,425	297,578	121,847
<i>Total Disbursements</i>	<u>5,536,695</u>	<u>5,556,695</u>	<u>5,044,609</u>	<u>512,086</u>
<i>Net Change in Fund Balance</i>	(742,930)	(762,930)	(155,483)	607,447
<i>Fund Balance Beginning of Year</i>	1,521,217	1,521,217	1,521,217	
Prior Year Encumbrances Appropriated	<u>256,077</u>	<u>256,077</u>	<u>256,077</u>	
<i>Fund Balance End of Year</i>	<u>\$1,034,364</u>	<u>\$1,014,364</u>	<u>\$1,621,811</u>	<u>\$607,447</u>

See accompanying notes to the basic financial statements

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, 2011

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 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, 2011

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 both 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 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.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

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.

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 2011, the Township invested in U.S. Agency Securities 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, 2011.

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 2011 was \$113,872.

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.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

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.

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 disbursements 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 disbursements, 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

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the Board of Trustees. Those committed amounts cannot be used for any other purpose unless the Board of Trustees removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Assigned: Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by the Board of Trustees.

Unassigned: Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The Township applies restricted resources first when disbursements are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when disbursements are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 restriction of fund balance (modified cash basis). The encumbrances outstanding at year end (budgetary basis) amounted to \$646,736 for the General Fund, \$127,279 for the Police District Fund, \$545,652 for the Fire District Fund, and \$6,764 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.

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

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.

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

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 \$9,031,176 and the bank balance was \$9,663,500. Of the bank balance \$250,000 was covered by federal depository insurance and \$9,413,500 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.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Investments

As of December 31, 2011, the Township had the following investments:

	Cost	Investment Maturities					Greater than 24 months
		6 months or less	7 to 12 months	13 to 18 months	19 to 24 months		
Investment Type	Cost						
Fed Natl Mortgage Assoc	\$ 5,000,000						\$ 5,000,000
Fed Home Loan Bank Bond	\$ 1,000,000						\$ 1,000,000
Fed Home Loan Bank	\$ 1,000,000						\$ 1,000,000
Fed Home Loan Mortgage	\$ 3,000,000						\$ 3,000,000
StarOhio	\$ 2,400,000	2,400,000					
	\$ 12,400,000	\$ 2,400,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000,000

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 Bond, Federal Home Loan Bank, and Federal Home Loan Mortgage Association securities are rated Aaa by Moody's and AA+ 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.

Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Township places no limit on the amount the Township may invest in one issuer.

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 and public utility property located in the Township. Real property tax receipts received in 2011 represent the collection of 2010

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, 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 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2010, 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.

The full tax rate for all Township operations for the year ended December 31, 2011, was \$18.26 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	
Residential/ Agriculture	\$910,523,190
Commercial Industrial/Other Public Utility Property	\$198,759,590
Public Utility Personal	<u>\$29,181,890</u>
Total Assessed Value	<u>\$1,138,464,670</u>

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. 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.

Casualty Coverage

APEEP provides OTARMA with an excess risk-sharing program, for which OTARMA pays a percentage of its contributions. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (at December 31, 2011, the Pool retained \$350,000 per occurrence, including loss adjustment expenses). Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$1,650,000 for each claim. Additionally, APEEP retains excess limits of greater than \$2 million up to \$5 million at an amount not to exceed \$3 million in the aggregate per accident year. APEEP's total exposure is capped at \$10 million in the aggregate per year. Governments can elect up to \$10 million in additional coverage with reinsurers GenRe and Alteris, though contacts with OTARMA.

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

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$750 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 Pool's retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$750,000,000 per occurrence limit. Additionally, 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, 2011 and 2010:

	2011		2010
Assets	\$ 35,086,165	\$	35,855,252
Liabilities	(9,718,792)		(10,664,724)
Net Assets	\$ 25,367,373	\$	25,190,528

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to approximately 980 member governments in the future, as of December 31, 2011 and 2010, 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 \$446,908.

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, 2011 and 2010 were \$223,454 and \$217,109, 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

All Township full-time employees, other than Firemen, participate in the Ohio Public Employees Retirement System (OPERS). Ohio Public Employees Retirement System (OPERS) administers three separate pension plans as described below:

- The Traditional Pension Plan - a cost-sharing, multiple-employer defined benefit pension plan.
- The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
- The Combined Plan - a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

B. OPERS provides retirement, disability, survivor and death benefits and annual cost-of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits.

C. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

D. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377

E. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2011, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

The 2011 member contribution rates were 10.0% of covered payroll for members in state and local classifications. Public safety and law enforcement members contributed 11.0% and 11.6%, respectively.

The 2011 employer contribution rate for state and local employers was 14.00% of covered payroll. The law enforcement and public safety division employer contribution rate was 18.10% of covered payroll.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

The Township's required contributions to the traditional and combined plans for the years ended December 31, 2011, 2010, and 2009 were \$856,035, \$891,187, and \$905,817 respectively. The full amount has been contributed for all three years.

B. Ohio Police and Fire Pension Fund

The Township contributes 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 benefits while the Township is required to contribute 24 percent for firefighters. The Township's contributions to OP&F for firefighters for the years ending December 31, 2011, 2010, 2009 were \$1,002,193, \$1,024,118, and \$1,026,757, respectively. The full amount has been contributed for 2010 and 2009 and 72% has been contributed for 2011.

Note 8 - Postemployment Benefits

A. Ohio Public Employees Retirement System

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.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment health care 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or calling 614-222-5601 or 1-800-222-7377

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

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 2011, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. 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 Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012. The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions which were used to fund post-employment benefits were \$299,000 for 2010, \$294,625 for 2009 and \$295,000 for 2008.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 to 2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. Ohio Police and Fire Pension Fund

The Township contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost sharing multiple-employer defined postemployment healthcare 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.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

OP&F provides access to post-retirement healthcare 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 healthcare 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 healthcare coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

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, 2011, 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 actual contributions that were used to fund post-employment benefits for the years ending December 31, 2011, 2010, 2009 were \$202,944, \$288,033 and \$282,881, respectively. The full amount has been contributed for 2010 and 2009 and 72% has been contributed for 2011. 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.

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 9 - Notes Payable

A summary of the note transactions for the year ended December 31, 2011, follows:

	Balance at 12/31/10	Issued	Debt Retirement	Balance at 12/31/11
\$	188,610	-	188,610	-
\$	188,610	-	188,610	-

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. This was fulfilled in 2011.

Note 10 – Debt

The Township's long-term debt activity for the year ended December 31, 2011, was as follows:

	Interest Rate	Balance December 31, 2010	Additions	Principal Payments	Interest Payments	Balance December 31, 2011	P&I Due Within One Year
Government Complex	2.75% - 4.75%	570,000	-	570,000	25,628	-	-
2001 Fire Bonds	3%-5%	2,060,000	-	1,340,000	46,268	720,000	-
2001 Building Bonds	3%-5%	1,820,000	-	1,185,000	40,891	635,000	-
2001 Park Bonds	3%-5%	2,615,000	-	1,705,000	58,552	910,000	-
2009 Park Bonds	2%-4%	810,000	-	200,000	21,900	610,000	217,900
2009B TIF Revenue Bonds	4.50%	3,760,000	-	3,760,000	194,887	-	-
2011 Various Purpose GO Refunding/New Money	1.75% - 4%	-	9,955,000	810,000	214,880	9,145,000	1,594,087
Total:		11,635,000	9,955,000	9,570,000	603,006	12,020,000	1,811,987

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

The 2001 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. These bonds were partially refunded in 2011.

The 2001 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. These bonds were partially refunded in 2011.

The 2001 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. These bonds were partially refunded in 2011.

The 2001 Government Complex 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. These bonds were fully refunded in 2011.

The 2009 Park Construction Bonds were issued September 23, 2009 for the purpose of improving Clippard Park, with interest rates between 2.00% - 4.00% and maturing on December 1, 2014.

The 2009B TIF Revenue Bonds were issued November 25, 2009 for the purpose of refinancing various TIF notes, with an interest rate of 4.50% and maturing on December 1, 2012. These bonds were fully refunded in 2011.

The 2011 Bonds were issued on February 23, 2011 for the purpose of refunding a portion of the Township's outstanding Building Improvement bonds, Fire Department bonds and Park bonds as well as fully refunding the Government Complex Building Improvement bonds and 2009 TIF Revenue bonds. The issuance also included new money for the purpose of paying the cost of constructing streetscape improvements to be paid from the general fund.

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

Year Ending 12/31	Principal	Interest	Total Debt Service
2012	1,530,000	281,987	1,811,987
2013	1,565,000	237,588	1,802,588
2014	1,600,000	470,233	2,070,233
2015	1,435,000	415,576	1,850,576
2016	1,500,000	362,924	1,862,924
2017 - 2021	<u>4,390,000</u>	<u>634,314</u>	<u>5,024,314</u>
Totals	<u>12,020,000</u>	<u>2,402,622</u>	<u>14,422,622</u>

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 11 – Interfund Transfers

During 2011 the following transfers were made:

Transfers from the General Fund To:	
Bond/Note Retirement	\$ 1,033,287
Fire District	\$30,000
Zoning	<u>\$300,000</u>
	\$ 1,363,287

Transfer from the Fire District Fund To:	
Fire Debt Service	<u>242,374</u>
Total Transfers	<u>\$1,605,661</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 from the general fund to the bond/note retirement fund are for the purposes of making debt payments.

Note 12 – Construction and Contractual Commitments

The Township holds 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. The Township also holds 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 – Change in Accounting Principle

The township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions". GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The constraints placed on the fund balance for the major governmental funds and all other non-major governmental funds are presented as follows:

Colerain Township
Notes to the Financial Statements
For the Year Ended December 31, 2011

Fund Balances	General Fund	Police Fund	Fire Fund	Ambulance EMS Fund	TIF Fund	Non-Major Governmental Funds	Total Governmental Funds
Restricted for:							
Public safety	\$ -	\$ 1,749,090	\$ 8,145,513	\$ 792,602	\$ -	\$ 28,313	\$ 10,715,518
TIF Agreement					603,989	297,889	901,878
Roads						847,527	847,527
Capital Projects	1,667,191					1,472	1,668,663
Other Purposes	-	-	-	-	-	219,411	219,411
Total Restricted	1,667,191	1,749,090	8,145,513	792,602	603,989	1,394,612	14,352,997
Assigned							
Future Appropriations	3,125,753	-	-	-	-	-	3,125,753
Total Assigned	3,125,753	-	-	-	-	-	3,125,753
Unassigned	3,952,426	-	-	-	-	-	3,952,426
Total Fund Balance	\$ 8,745,370	\$ 1,749,090	\$ 8,145,513	\$ 792,602	\$ 603,989	\$ 1,394,612	\$ 21,431,176

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, 2011, which collectively comprise the Township's basic financial statements and have issued our report thereon dated July 31, 2012 wherein we noted the Township uses the modified cash basis of accounting, and the Township adopted Governmental Accounting Standards Board Statement No. 54. 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

Management of the Township is responsible for establishing and maintaining effective 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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described and labeled as item 2011/2010-1 in the accompanying schedule of findings and responses to be a material weakness.

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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 one instance of noncompliance or other matters described and labeled as item 2011-2, in the accompanying schedule of findings and responses, that is 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 responses. 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 July 31, 2012.

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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
July 31, 2012

COLERAIN TOWNSHIP, HAMILTON COUNTY, OHIO
Schedule of Findings and Responses
Year Ended December 31, 2011

Financial Statement Findings

Finding 2011/2010-1 – 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. Certain errors occurred as part of the Township's preparation of its financial statements in a GASB 34 look-a-like format. However, the Township also had several instances of posting revenue to incorrect funds and line items which required adjustments during the audit.

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 monthly financial statements as well as the year-end financial statements.

Management response: *The Colerain Township Board of Trustees hired a new administrator in February 2012 and part of his job description includes oversight of the monthly and annual financial statements as well as preparation of the five-year forecast. Further, internal processes have been changed to provide for greater accountability over the posting of revenues and expenditures. The Township Administrator will take an active role in financial and note preparation for the periods ending December 31, 2012 and beyond.*

Finding 2011-2 – Appropriations

Ohio Revised Code Section 5705.41 (B) states that no subdivision or taxing unit is to expend money unless it has been appropriated. In 2011, expenditures for the general fund exceeded appropriations by \$6.8 million due to the Township refunding debt. The Township did not update the 2011 annual appropriations to account for this transaction.

Management response: *Beginning in 2012, appropriations are developed and monitored by the new township administrator. Appropriations are reviewed periodically through the year with changes presented to the Trustees for approval. Internal processes have been developed to ensure expenditures don't exceed appropriations and that all appropriation resolutions are updated and filed with the Hamilton County Auditor. There has also been a change in staff in the fiscal office.*

COLERAIN TOWNSHIP, HAMILTON COUNTY, OHIO
Schedule of Prior Audit Findings
Year Ended December 31, 2010

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.

Current Status: *Item will be repeated in 2011.*

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 2009 and as well as additional capital disbursements also needed to be recorded in the 2009 and 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.

Current Status: *Corrected.*

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.

Current Status: Corrected.



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
DECEMBER 11, 2012**