



Mary Taylor, CPA  
Auditor of State



**HARRISON TOWNSHIP  
HAMILTON COUNTY**

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HAMILTON COUNTY

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# Mary Taylor, CPA

## Auditor of State

### INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Hamilton County  
300 George Street  
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates the UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the accompanying financial statements and notes follow the 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 cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparisons for the General Fund, Permissive Motor Vehicle License Tax Fund, and Gasoline Tax Fund for the years then ended in conformity with the basis of accounting that Note 1 describes.

For the year ended December 31, 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2007, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

**Mary Taylor, CPA**  
Auditor of State

March 30, 2007

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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This discussion and analysis of the financial performance of Harrison Township, Hamilton County, Ohio (the Township), provides an overall review of the Township's financial activities for the year ended December 31, 2005, within the limitations of the Township's use of cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2005 are as follows:

Net assets of governmental activities decreased by \$1,393,222 or 74%, representing a significant change from the prior year. The fund most affected by the decrease in net assets was the Miscellaneous Capital Projects Fund, which in 2004 reported the proceeds from the issuance of \$1,865,000 of Variable Rate Tax Increment Financing Revenue bonds. The Miscellaneous Capital Projects Fund had \$1,434,443 of capital outlay expenditures during 2005.

The Township's most significant source of receipts are property taxes and intergovernmental revenues, which include local government funds. These receipts represent approximately 78% of the total governmental activities receipts. Property taxes for 2005 changed very little compared to 2004, as development and property values within the Township have remained stable.

**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, "*Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments*", as applicable to the 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 basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the financial 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 using the cash basis of accounting. This basis of

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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accounting is a basis of accounting other than generally accepted accounting principles. Under the cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

As a result of using the 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 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 2005, within the limitations of use of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include (where applicable) 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 activity 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 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, the Township has only governmental activities. The Township's basic services are reported here, including safety services, community center operations and cemetery maintenance. Property taxes and local government funds 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 about the Township as a whole. The Township has established 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.

All of the Township's activities are reported in governmental funds. 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



**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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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 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 below provides a summary of the Township's net assets for 2005 compared to 2004 on a cash basis:

**Table 1**  
**Net Assets - Cash Basis**

	<b>Governmental Activities</b>	
	<b>2005</b>	<b>2004</b>
<b>Assets</b>		
Equity in Pooled Cash	\$478,420	\$1,871,642
<b>Total Assets</b>	<b>\$478,420</b>	<b>\$1,871,642</b>
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$150,045	\$150,045
Capital Projects	45,896	1,532,752
Other Purposes	222,411	147,452
Unrestricted	60,068	41,393
<b>Total Net Assets</b>	<b>\$478,420</b>	<b>\$1,871,642</b>

- As mentioned previously, net assets of governmental activities decreased by \$1,393,222 or 74% during 2005. The primary reason for the decrease in net assets was due to \$1,434,443 of capital outlay expenditure from the Miscellaneous Capital Projects Fund which in 2004 had reported \$1,865,000 of proceeds from the issuance of Variable Rate Tax Increment Financing (TIF) Revenue Bonds.

Table 2 below reflects the changes in net assets in 2005.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

**Table 2**  
**Changes in Net Assets**

	<b>Governmental Activities 2005</b>	<b>Governmental Activities 2004</b>
<b>Receipts</b>		
Program Receipts:		
Operating Grants and Contributions	\$112,124	\$102,351
<b>Total Program Receipts</b>	<b>112,124</b>	<b>102,351</b>
General Receipts:		
Property Taxes Levied for General Purposes	338,971	329,422
Other Local Taxes	39,530	36,514
Grants and Entitlements Not Restricted to Specific Programs	70,164	71,403
Sale of Bonds	0	1,865,000
Earnings on Investments	27,027	4,953
Miscellaneous	97,052	40,870
<b>Total General Receipts</b>	<b>572,744</b>	<b>2,348,162</b>
<b>Total Receipts</b>	<b>684,868</b>	<b>2,450,513</b>
<b>Disbursements</b>		
General Government	312,419	264,308
Public Safety	147,376	241,160
Public Works	74,093	108,486
Health	10,893	8,630
Conservation & Recreation	0	4,000
Capital Outlay	1,434,443	237,038
Debt Service (principal & interest)	98,867	22,526
<b>Total Disbursements</b>	<b>2,078,091</b>	<b>886,148</b>
<b>Change in Net Assets</b>	<b>(1,393,222)</b>	<b>1,564,365</b>
<b>Net Assets, January 1</b>	<b>1,871,642</b>	<b>307,277</b>
<b>Net Assets, December 31</b>	<b>\$478,420</b>	<b>\$1,871,642</b>

Program receipts represent only 16% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies.

General receipts represent 84% of total receipts and approximately 66% of those receipts are property and other local taxes. Grants and entitlements make up the majority of the balance of general receipts, approximately 12%. Other sources of receipts are of lesser significance and are somewhat unpredictable in nature.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. Public safety expenditures are the costs of police and fire protection. Capital outlay expenditures are the costs associated with the start of construction of the Southwest Parkway that was financed with the issuance of bonds.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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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 for capital outlay, general government and public safety, which account for 69%, 15%, and 7% of all governmental disbursements, respectively. The next column of the statement entitled program receipts identifies amounts paid by people who are directly charged for the service (if any) 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 below:

**Table 3  
Governmental Activities**

	<b>Total Cost Of Services 2005</b>	<b>Net Cost of Services 2005</b>	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
General Government	\$312,419	(\$312,419)	\$264,308	(\$264,308)
Public Safety	147,376	(147,376)	241,160	(241,160)
Public Works	74,093	38,032	108,486	(6,135)
Health	10,893	(10,893)	8,630	(8,630)
Conservation & Recreation	0	0	4,000	(4,000)
Capital Outlay	1,434,443	(1,434,443)	237,038	(237,038)
Debt Service - Principal & Interest	98,867	(98,867)	22,526	(22,526)
<b>Total Expenditures</b>	<b>\$2,078,091</b>	<b>(\$1,965,966)</b>	<b>\$886,148</b>	<b>(\$783,797)</b>

The dependence upon property tax receipts is apparent as over 84% of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$684,869 and disbursements of \$2,078,091. The greatest change within governmental funds occurred within the Miscellaneous Capital Projects Fund. The Miscellaneous Capital Projects Fund was established in 2004 as a result of the issuance of bonds and incurred significant capital outlay expenditures in 2005.

General Fund receipts were greater than disbursements by \$18,675, indicating that the General Fund is turning around from a previously reported deficit, as expected by a Budget Reduction Plan that was passed and effective beginning January 1, 2005.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2005  
Unaudited

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**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.

For the year ended December 31, 2005, General Fund final actual receipts were not significantly different from final budgeted receipts. However, General Fund final actual disbursements were significantly below final budgeted expenditures, primarily due to decreased general government and public safety expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2005, the Township's outstanding debt included \$96,000 of Township Building Improvement Notes and \$1,865,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Note 10 to the 2005 basic financial statements.

**Current Issues**

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

**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 Mr. Gregory P. Bybee, Fiscal Officer, Harrison Township, 300 George Street, Harrison, Ohio 45030

**Harrison Township**  
**Hamilton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2005*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash & Cash Equivalents	\$478,420
<i>Total Assets</i>	\$478,420
<b>Net Assets</b>	
Restricted for:	
Debt Service	\$150,045
Capital Projects	45,896
Other Purposes	222,411
Unrestricted	60,068
<i>Total Net Assets</i>	\$478,420

*See accompanying notes to the basic financial statements.*

**Harrison Township**  
**Hamilton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2005*

	Program Revenues	Net (Disbursements) Receipts & Changes in Net Assets
Cash Disbursements	Operating Grants & Contributions	Total Governmental Activities
<b>Governmental Activities</b>		
General Government	\$312,419	\$0
Public Safety	147,376	(147,376)
Public Works	74,093	112,124
Health	10,893	(10,893)
Capital Outlay	1,434,443	(1,434,443)
Debt Service	98,867	(98,867)
<i>Total Governmental Activities</i>	<u>\$2,078,091</u>	<u>\$112,124</u>

**General Receipts**

Property Taxes Levied for General Purposes	338,971
Other Local Taxes	39,530
Grants and Entitlements not Restricted	70,164
Earnings on Investments	27,027
Miscellaneous	97,052
<i>Total General Receipts</i>	<u>572,744</u>
 Change in Net Assets	 (1,393,222)
	<u>1,871,642</u>
	<u>\$478,420</u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2005

	General	Permissive Motor Vehicle Lic. Tax	Gasoline Tax	General Bond (Note) Retirement	Misc. Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$60,068	\$112,376	\$62,821	\$150,045	\$45,896	\$47,214	\$478,420
<i>Total Assets</i>	<u>\$60,068</u>	<u>\$112,376</u>	<u>\$62,821</u>	<u>\$150,045</u>	<u>\$45,896</u>	<u>\$47,214</u>	<u>\$478,420</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	\$0	\$0	\$0	\$0	\$0	\$2,396	\$2,396
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	60,068						60,068
Special Revenue Funds		112,376	62,821			44,818	220,015
Debt Service Fund				150,045			150,045
Capital Projects Funds					45,896		45,896
<i>Total Fund Balances</i>	<u>\$60,068</u>	<u>\$112,376</u>	<u>\$62,821</u>	<u>\$150,045</u>	<u>\$45,896</u>	<u>\$47,214</u>	<u>\$478,420</u>

*See accompanying notes to the basic financial statements*

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds  
For the Year Ended December 31, 2005*

	General	Permissive Motor Vehicle License Tax	Gasoline Tax	General Bond (Note) Retirement	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$321,738	\$0	\$0	\$0	\$0	\$17,604	\$339,342
Fines and Forfeitures	1,995						1,995
Intergovernmental	107,248	38,155	73,969			2,074	221,446
Earnings on Investments	2,084	4,763	595		19,585		27,027
Miscellaneous	89,968				5,091		95,059
<i>Total Receipts</i>	<u>523,033</u>	<u>42,918</u>	<u>74,564</u>	<u>0</u>	<u>24,676</u>	<u>19,678</u>	<u>684,869</u>
<b>Disbursements</b>							
Current:							
General Government	312,419						312,419
Public Safety	147,376						147,376
Public Works	11,892	6,018	44,275			11,908	74,093
Health	10,893						10,893
Capital Outlay					1,434,443		1,434,443
Debt Service:							
Principal Retirement	16,000						16,000
Interest and Fiscal Charges	5,778				77,089		82,867
<i>Total Disbursements</i>	<u>504,358</u>	<u>6,018</u>	<u>44,275</u>	<u>0</u>	<u>1,511,532</u>	<u>11,908</u>	<u>2,078,091</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>18,675</u>	<u>36,900</u>	<u>30,289</u>	<u>0</u>	<u>(1,486,856)</u>	<u>7,770</u>	<u>(1,393,222)</u>
<i>Net Change in Fund Balances</i>	18,675	36,900	30,289	0	(1,486,856)	7,770	(1,393,222)
<i>Fund Balances Beginning of Year</i>	<u>41,393</u>	<u>75,476</u>	<u>32,532</u>	<u>150,045</u>	<u>1,532,752</u>	<u>39,444</u>	<u>1,871,642</u>
<i>Fund Balances End of Year</i>	<u>\$60,068</u>	<u>\$112,376</u>	<u>\$62,821</u>	<u>\$150,045</u>	<u>\$45,896</u>	<u>\$47,214</u>	<u>\$478,420</u>

See accompanying notes to the basic financial statements.



**HARRISON 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, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Receipts</b>				
Property and Other Local Taxes	\$333,000	\$333,000	\$321,738	(\$11,262)
Fines and Forfeitures	7,000	7,000	1,995	(5,005)
Intergovernmental	118,000	118,000	107,248	(10,752)
Earnings on Investments	4,000	4,000	2,084	(1,916)
Miscellaneous	41,000	41,000	89,968	48,968
<i>Total receipts</i>	503,000	503,000	523,033	20,033
<b>Disbursements</b>				
Current:				
General Government	338,200	338,200	312,419	25,781
Public Safety	201,000	201,000	147,376	53,624
Public Works	15,000	15,000	11,892	3,108
Health	15,800	15,800	10,893	4,907
Conservation & Recreation	8,000	8,000	0	8,000
Capital Outlay	36,000	36,000	0	36,000
Debt Service:				
Principal Retirement	18,000	18,000	16,000	2,000
Interest and Fiscal Charges	8,000	8,000	5,778	2,222
<i>Total Disbursements</i>	640,000	640,000	504,358	135,642
<i>Excess of Receipts Over (Under) Disbursements</i>	(137,000)	(137,000)	18,675	155,675
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	100,000	100,000	0	(100,000)
Other Financing Sources	1,000	1,000	0	(1,000)
<i>Total Other Financing Sources (Uses)</i>	101,000	101,000	0	(101,000)
<i>Net Change in Fund Balance</i>	(36,000)	(36,000)	18,675	54,675
<i>Fund Balance Beginning of Year</i>	41,393	41,393	41,393	0
<i>Fund Balance End of Year</i>	\$5,393	\$5,393	\$60,068	\$54,675

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Receipts, Disbursements and Changes in  
Fund Balance - Budget and Actual -Budget Basis  
Permissive Motor Vehicle License Tax Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$40,000	\$40,000	\$38,155	(\$1,845)
Earnings on Investments	2,000	2,000	4,763	2,763
<i>Total receipts</i>	<u>42,000</u>	<u>42,000</u>	<u>42,918</u>	<u>918</u>
<b>Disbursements</b>				
Current:				
Public Works	100,000	100,000	6,018	93,982
<i>Total Disbursements</i>	<u>100,000</u>	<u>100,000</u>	<u>6,018</u>	<u>93,982</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(58,000)</u>	<u>(58,000)</u>	<u>36,900</u>	<u>94,900</u>
<i>Net Change in Fund Balance</i>	(58,000)	(58,000)	36,900	(94,900)
<i>Fund Balance Beginning of Year</i>	<u>75,476</u>	<u>75,476</u>	<u>75,476</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$17,476</u></u>	<u><u>\$17,476</u></u>	<u><u>\$112,376</u></u>	<u><u>(\$94,900)</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Receipts, Disbursements and Changes in  
Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2005*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$67,000	\$67,000	\$73,969	\$6,969
Earnings on Investments	1,000	1,000	595	(405)
<i>Total receipts</i>	<u>68,000</u>	<u>68,000</u>	<u>74,564</u>	<u>6,564</u>
<b>Disbursements</b>				
Current:				
Public Works	84,000	84,000	44,275	
Capital Outlay	1,000	1,000	0	1,000
<i>Total Disbursements</i>	<u>85,000</u>	<u>85,000</u>	<u>44,275</u>	<u>1,000</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(17,000)</u>	<u>(17,000)</u>	<u>30,289</u>	<u>5,564</u>
<i>Net Change in Fund Balance</i>	(17,000)	(17,000)	30,289	(47,289)
<i>Fund Balance Beginning of Year</i>	<u>32,532</u>	<u>32,532</u>	<u>32,532</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$15,532</u></u>	<u><u>\$15,532</u></u>	<u><u>\$62,821</u></u>	<u><u>(\$47,289)</u></u>

*See accompanying notes to the basic financial statements.*

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**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 1 - Reporting Entity**

Harrison Township, Hamilton County, Ohio (the Township), is a body politic and corporate established in 1850 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 Fiscal Officer.

The reporting entity is comprised solely of the primary government.

**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, maintenance of Township roads and bridges and cemetery maintenance. The Township contracts with the City of Harrison for fire protection. Police protection is provided by the Hamilton County Sheriff's Department.

**B. Component Unit**

The Township has no component units.

**C. Jointly Governed Organization and Public Entity Risk Pool**

The Township participates in one jointly governed organization and in one public entity risk pool. These organizations are:

**Jointly Governed Organization:**

*Harrison Township/City of Hamilton Joint Economic Development District* – This organization is the result of an agreement between the Township and the City of Harrison and is discussed in Note 12 to the financial statements.

**Public Entity Risk Pool:**

*Ohio Township Association Risk Management Authority (OTARMA)* – This organization provides property and casualty coverage to the Township. OTARMA is a member of the American Public Entity Excess Pool (APEEP). This organization is discussed in Notes 7 and 11 to the financial statements.

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements, Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include 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 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. The Township has only one fund that is classified as a nonmajor fund.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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. The Township only has one category of funds, which is governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Permissive Motor Vehicle License Tax Fund, Gasoline Tax Fund, General Bond & Note Retirement Fund, and the Miscellaneous Capital Projects Fund. 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 other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township has only one fund that is classified as a nonmajor fund.

**C. Basis of Accounting**

The Township's financial statements are prepared using the 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 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 services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate. The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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 certificate of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution 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 “Equity in Pooled Cash and Cash Equivalents”.

During 2005, the Township had investments in certificates of deposit, money market mutual funds and STAR Ohio. Investments are reported at cost. Money market mutual fund investments are recorded at the amount reported by Key Bank and Huntington Bank on December 31, 2005.

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, 2005.

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 2005 was \$2,084 and interest receipts credited to other funds was \$24,943.

**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. Interfund Receivables/Payables**

Advances-in and advances-out are reported for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. No advances occurred during 2005.



**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 8 and 9, 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.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation imposed by creditors, grantors, or laws or regulations of other governments.

**L. Fund Balance Reserves**

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2005, the Township had no exchange transactions. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. In 2005, the Township had no interfund transfers.

**Note 3 – Compliance**

The Township did not properly certify the availability of funds for certain purchase commitments as required by Ohio Revised Code Section 5705.41(D).

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 4 – 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(s) of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and for any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivables or payables (cash basis). In 2005, the Township had no advances between funds, and no encumbrances outstanding at year end (budgetary basis) for the general fund and any major special revenue fund.

**Note 5 – 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 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 Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, 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;

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 – Deposits and Investments (Continued)**

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 based on completion of ORC training requirements.

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 respective financial institution to secure the repayment of all public monies deposited with the financial 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 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".

At year-end, the carrying amount of the Township's deposits was (\$11,618). Of the bank balance, \$100,000 is covered by federal depository insurance. Although all State statutory requirements for the deposit of money have been followed, noncompliance with the federal requirements could potentially subject the Township to a successful claim by the FDIC.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Township did not have custodial credit risk as of December 31, 2005.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 5 – Deposits and Investments (Continued)**

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

Investments

As of December 31, 2005, the Township had the following investments:

	Carrying Value	Maturity
Money Market Mutual Funds	\$294,097	average
Tax Increment Financing		average
Money Market Mutual Funds	150,045	
STAR Ohio	<u>\$45,896</u>	30 days
 Total Portfolio	 <u>\$490,038</u>	

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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states “Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, authorizing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall only be made upon receipt of confirmation of transfer from the custodian by the Fiscal Officer, Board of Trustees, or qualified trustee.”

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 6 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, 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 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, 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.

Tangible personal property tax receipts received in 2005 (other than public utility property) represent the collection of 2004 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2004, on the true value as of December 31, 2004. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2005, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

Real Property	
Residential	\$67,024,410
Agriculture	4,681,810
Commercial/Industrial/Mineral	9,598,570
Public Utility Property	
Real	0
Personal	4,639,920
Tangible Personal Property	<u>9,057,140</u>
Total Assessed Value	<u>\$95,001,850</u>

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 7– Risk Management**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker’s Compensation.

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

Casualty Coverage

OTARMA retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. Townships can elect additional coverage, from \$2,000,000 to \$12,000,000 with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust OTARMA’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000.

Property Coverage

Through 2004, OTARMA retained property risks, including automobile physical damage, up to \$100,000 on any specific loss in any one occurrence. The Travelers Indemnity Company reinsured losses exceeding \$100,000 up to \$500 million per occurrence.

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members’ total insurable value. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2005 was \$1,682,589.

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 retained earnings at December 31, 2005 and 2004:

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 7– Risk Management (Continued)**

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	(12,344,576)	(11,086,379)
Retained earnings	<u>\$18,141,062</u>	<u>\$17,046,241</u>

<u>Property Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$9,177,796	\$7,588,343
Liabilities	(1,406,031)	(543,176)
Retained earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

At December 31, 2005 and 2004, respectively, casualty coverage liabilities noted above include approximately \$11.6 million and \$10.3 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$11.6 million and \$10.3 million of unpaid claims to be billed to approximately 950 member townships in the future, as of December 31, 2005 and 2004, respectively.

Based on discussions with OTARMA the expected rates OTARMA charges 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 annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Township Contributions to OTARMA</u></b>	
2003	\$11,071
2004	\$11,452
2005	\$11,888

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA. They must provide 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 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 was incurred or reported prior to the withdrawal.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

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**Note 8 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.50 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2005 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$11,700, \$11,452 and \$11,071 respectively. The full amount has been contributed for 2005, 2004 and 2003.

**Note 9 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.



**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 9 – Postemployment Benefits (Continued)**

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$210,421. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 10– Debt**

The Township's long-term debt activity for the year ended December 31, 2005, was as follows:

	Interest Rate	Balance, 12/31/2004	Additions	Reductions	Balance, 12/31/2005	Due Within One Year
Township Building Notes	5.1%	\$112,000	\$0	\$16,000	\$96,000	\$96,000
Variable Rate Tax Increment Financing (TIF) Revenue Bonds	Variable	1,865,000		0	1,865,000	60,000
<b>Totals</b>		<b>\$1,977,000</b>	<b>0</b>	<b>\$16,000</b>	<b>\$1,961,000</b>	<b>\$156,000</b>

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2005

**Note 10– Debt** (Continued)

The following is a summary of the Township’s future annual debt service requirements:

Year	Bonds Principal	Bonds Interest	Notes Principal	Notes Interest	Total Principal	Total Interest
2006	\$60,000	\$74,600	\$96,000	\$4,896	\$156,000	\$79,496
2007	65,000	72,200	0	0	65,000	72,200
2008	70,000	69,600	0	0	70,000	69,600
2009	70,000	66,800	0	0	70,000	66,800
2010	75,000	64,000	0	0	75,000	64,000
2011-2015	430,000	272,200	0	0	430,000	272,200
2016-2020	550,000	177,000	0	0	550,000	177,000
2021-2024	545,000	55,800	0	0	545,000	55,800
Totals	\$1,865,000	\$852,200	\$96,000	\$4,896	\$1,961,000	\$857,096

The Variable Rate Tax Increment Revenue Bonds (the Bonds) were issued on November 22, 2004, in the amount of \$1,865,000 for the purpose of constructing Southwest Parkway in Harrison Commerce Center.

The Bonds are not a general obligation of the Township and the taxing power of the Township is not pledged to the payment of Bonds. The Bonds are limited revenue obligations of the issuer, payable solely from the service payments in lieu of taxes and certain other funds held under the trust agreement, and will neither secure nor be secured by any other obligations or assets, if any, which the issuer may have or acquire.

Principal and interest on the Bonds will be paid from funds drawn by the Huntington National Bank, as trustee, under an irrevocable direct pay Letter of Credit issued by Fifth Third Bank in the total amount of \$1,964,637.

**Note 11 – Public Entity Risk Pool**

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

**Note 12 – Jointly Governed Organization**

In 2003, in accordance with the provisions of Ohio Revised Code Sections 715.72 through 715.81, a joint economic development district (JEDD) between the Township and the City of Harrison (the City) was approved by an agreement between the respective legislative authorities for a period of 99 years. The JEDD was formed for the purpose of facilitating economic development and improving the economic welfare of persons residing in the Township and the City. The agreement for formation of the district provides for the levying of an income tax on properties located within the district. The JEDD Board consists of one Township Trustee, the Township Administrator, and the Mayor of the City. The JEDD is currently in the process of increasing the Board to include one resident and one business person.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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This discussion and analysis of the financial performance of Harrison Township, Hamilton County, Ohio (the Township), provides an overall review of the Township's financial activities for the year ended December 31, 2004, within the limitations of the Township's use of cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2004 are as follows:

Net assets of governmental activities increased by \$1,564,365, representing a significant change from the prior year's reported fund balances of \$307,272. The fund most affected by the increase in cash and cash equivalents was the Miscellaneous Capital Projects Fund, which reported the proceeds from the issuance of bonds described below.

The most significant source of receipts was the proceeds from the issuance of Variable Rate Tax Increment Financing (TIF) Revenue Bonds in the amount of \$1,865,000. Other than the proceeds from the sale of the TIF Revenue Bonds, general receipts were primarily from property taxes and intergovernmental revenue, which includes local government funds. Property tax receipts for 2004 changed very little compared to 2003, as development and property values within the Township have remained stable.

**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, "*Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments*", as applicable to the 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 basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the financial statements.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
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Basis of Accounting

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

As a result of using the 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 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 2004, within the limitations of use of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include (where applicable) 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 activity 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 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, the Township has only governmental activities. The Township's basic services are reported here, including safety services, community center operations and cemetery maintenance. Property taxes and local government funds 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 about the Township as a whole. The Township has established 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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
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All of the Township's activities are reported in governmental funds. 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 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 below provides a summary of the Township's net assets for 2004 compared to 2003 on a cash basis:

	<b>Governmental Activities</b>	
	<b>2004</b>	<b>2003</b>
<b>Assets</b>		
Equity in Pooled Cash	\$1,871,642	\$307,277
<b>Total Assets</b>	<b>\$1,871,642</b>	<b>\$307,277</b>
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$150,045	\$0
Capital Projects	1,532,752	0
Other Purposes	147,452	122,231
Unrestricted	41,393	185,046
<b>Total Net Assets</b>	<b>\$1,871,642</b>	<b>\$307,277</b>

As mentioned previously, net assets of governmental activities increased \$1,562,228 during 2004. The primary reasons contributing to the increase in net assets are as follows:

- In 2004, the Township issued \$1,865,000 in Variable Rate Tax Increment Financing (TIF) Revenue Bonds to fund the construction of Southwest Parkway in the Harrison Commerce Center.
- In 2004, total general fund expenditures increased as a result of adding additional police protection and also due to higher than expected expenditures for the community center, both of which partially offset the increase in receipts.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
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Table 2 below reflects the changes in net assets in 2004. Since the Township did not prepare financial statements in this format for 2003, a comparative analysis of Township-wide data has not been presented. In future years, when prior year information is available, a comparative analysis will be presented.

Total Program Receipts	102,351
General Receipts:	
Property Taxes Levied for General Purposes	329,422
Other Local Taxes	36,514
Grants and Entitlements Not Restricted to Specific Programs	71,403
Sale of Bonds	1,865,000
Earnings on Investments	4,953
Miscellaneous	40,870
Total General Receipts	2,348,162
<b>Total Receipts</b>	<b>2,450,513</b>
 <b>Disbursements</b>	
General Government	264,308
Public Safety	241,160
Public Works	108,486
Health	8,630
Conservation & Recreation	4,000
Capital Outlay	237,038
Debt Service (principal & interest)	22,526
<b>Total Disbursements</b>	<b>886,148</b>
 <b>Change in Net Assets</b>	<b>1,564,365</b>
 <b>Net Assets, January 1, 2004</b>	<b>307,277</b>
 <b>Net Assets, December 31, 2004</b>	<b>\$1,871,642</b>

Excluding the proceeds from the sale of bonds in the amount of \$1,865,000, program receipts represent only 17% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
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Excluding the proceeds from the sale of bonds, general receipts represent 83% of the Township's total receipts and, of this amount, over 76% are local taxes. Grants and entitlements make up the majority of the balance of the Township's general receipts. Other receipts are insignificant in amount and somewhat unpredictable in nature.

Disbursements for general government represent the overhead costs of running the Township and the support services provided for the other Township activities. Public safety expenditures are the costs of police and fire protection. Conservation & recreation expenditures are the costs of subsidizing the Township's recreation commission. Capital outlay expenditures are the costs associated with the start of construction of Southwest Parkway.

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 for general government, public safety and capital outlay, which account for 30%, 27% and 27% of all governmental disbursements, respectively. Public works also represents a significant cost, about 12%. The next column of the statement entitled program receipts identifies amounts paid by people who are directly charged for the service (if any) 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 below:

	<b>Total Cost Of Services 2004</b>	<b>Net Cost of Services 2004</b>
General Government	\$264,308	(\$264,308)
Public Safety	241,160	(241,160)
Public Works	108,486	(6,135)
Health	8,630	(8,630)
Conservation & Recreation	4,000	(4,000)
Capital Outlay	237,038	(237,038)
Debt Service - Principal & Interest	22,526	(22,526)
<b>Total Expenditures</b>	<b>\$886,148</b>	<b>(\$783,797)</b>

The dependence upon property tax receipts is apparent as over 84% of governmental activities are supported through these general receipts.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2004  
Unaudited

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**The Township's Funds**

Total governmental funds had receipts of \$585,512, disbursements of \$888,284, and other financing sources of \$1,865,000. The greatest change within governmental funds occurred within the Miscellaneous Capital Projects Fund. The Miscellaneous Capital Projects Fund was established in 2004 as a result of the issuance of TIF Revenue Bonds.

General Fund receipts were less than disbursements by \$145,788, indicating that the General Fund is in a deficit spending situation. A Budget Reduction Plan was put in place effective January 1, 2005, eliminating some expenditures and reducing others, with the most significant being the elimination of additional police services contracted from the Sheriff's Department effective May 1, 2005.

**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.

For the year ended December 31, 2004, General Fund final actual receipts were below final budgeted receipts due to shortages in collections of property tax receipts and due to declines in receipts of intergovernmental and interest revenues. General Fund final actual disbursements were below final budgeted expenditures, primarily due to declining general government expenditures for the community center and due to decreased expenditures for capital outlay.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township does not currently keep track of its capital assets and infrastructure.

**Debt**

At December 31, 2004, the Township's outstanding debt included \$112,000 of Township Building Improvement Notes and \$1,865,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Notes 11 to the 2004 basic financial statements.

**Current Issues**

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

**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



**HARRISON TOWNSHIP**  
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Management's Discussion and Analysis  
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should be directed to Mr. Gregory P. Bybee, Fiscal Officer, Harrison Township, 300 George Street, Harrison, Ohio 45030.

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**Harrison Township**  
**Hamilton County**  
*Statement of Net Assets - Cash Basis*  
*December 31, 2004*

	Governmental Activities
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$1,871,642
<i>Total Assets</i>	<i>\$1,871,642</i>
 <b>Net Assets</b>	
Restricted for:	
Debt Service	\$150,045
Capital Projects	1,532,752
Other Purposes	147,452
Unrestricted	41,393
<i>Total Net Assets</i>	<i>\$1,871,642</i>

*See the accompanying notes to the basic financial statements.*

**Harrison Township**  
**Hamilton County**  
*Statement of Activities - Cash Basis*  
*For the Year Ended December 31, 2004*

	Cash Disbursements	Program Revenue	Net (Disbursements) Receipts & Changes in Net Assets
		Operating Grants & Contributions	Total Governmental Activities
<b>Governmental Activities</b>			
General Government	\$264,308	\$0	(\$264,308)
Public Safety	241,160		(241,160)
Public Works	108,486	102,351	(6,135)
Health	8,630		(8,630)
Conservation & Recreation	4,000		(4,000)
Capital Outlay	237,038		(237,038)
Debt Service	22,526		(22,526)
<i>Total Governmental Activities</i>	<u>\$886,148</u>	<u>\$102,351</u>	<u>(\$783,797)</u>

**General Receipts**

Property Taxes Levied for General Purposes	329,422
Other Local Taxes	36,514
Grants and Entitlements not Restricted	71,403
Sale of Bonds	1,865,000
Earnings on Investments	4,953
Miscellaneous	40,870
<i>Total General Receipts</i>	<u>2,348,162</u>
 Change in Net Assets	 1,564,365
 <i>Net Assets Beginning of Year</i>	 <u>307,277</u>
 <i>Net Assets End of Year</i>	 <u><u>\$1,871,642</u></u>

*See the accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Cash Basis Assets and Fund Balances  
Governmental Funds  
December 31, 2004*

	General	Permissive Motor Vehicle License Tax	Gasoline Tax	General Bond (Note) Retirement	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>							
Equity in Pooled Cash & Cash Equivalents	\$41,393	\$75,476	\$32,532	\$150,045	\$1,532,752	\$39,444	\$1,871,642
<i>Total Assets</i>	<u>\$41,393</u>	<u>\$75,476</u>	<u>\$32,532</u>	<u>\$150,045</u>	<u>\$1,532,752</u>	<u>\$39,444</u>	<u>\$1,871,642</u>
<b>Fund Balances</b>							
Reserved:							
Reserved for Encumbrances	\$8,306				\$3,615		\$11,921
Unreserved:							
Undesignated (Deficit), Reported in:							
General Fund	33,087						33,087
Special Revenue Funds		75,476	32,532			39,444	147,452
Debt Service Fund				150,045			150,045
Capital Projects Fund					1,529,137		1,529,137
<i>Total Fund Balances</i>	<u>\$41,393</u>	<u>\$75,476</u>	<u>\$32,532</u>	<u>\$150,045</u>	<u>\$1,532,752</u>	<u>\$39,444</u>	<u>\$1,871,642</u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Cash Receipts, Disbursements and Changes in Cash Basis Fund Balances  
Governmental Funds*

*For the Year Ended December 31, 2004*

	General	Permissive Motor Vehicle License Tax	Gasoline Tax	General Bond (Note) Retirement	Miscellaneous Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>Receipts</b>							
Property and Other Local Taxes	\$312,793	\$0	\$0	\$0	\$0	\$17,113	\$329,906
Fines and Forfeitures	4,172						4,172
Intergovernmental	105,573	37,718	64,635			1,861	209,787
Earnings on Investments	982	735	106		3,131		4,954
Miscellaneous	36,695						36,695
<i>Total Receipts</i>	<u>460,215</u>	<u>38,453</u>	<u>64,741</u>	<u>0</u>	<u>3,131</u>	<u>18,974</u>	<u>585,514</u>
<b>Disbursements</b>							
Current:							
General Government	264,308						264,308
Public Safety	241,160						241,160
Public Works	11,539	23,392	52,274			21,281	108,486
Health	8,630						8,630
Conservation & Recreation	4,000						4,000
Capital Outlay	51,705				185,334		237,039
Debt Service:							
Principal Retirement	16,000						16,000
Interest and Fiscal Charges	6,526						6,526
<i>Total Disbursements</i>	<u>603,868</u>	<u>23,392</u>	<u>52,274</u>	<u>0</u>	<u>185,334</u>	<u>21,281</u>	<u>886,149</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(143,653)</u>	<u>15,061</u>	<u>12,467</u>	<u>0</u>	<u>(182,203)</u>	<u>(2,307)</u>	<u>(300,635)</u>
<b>Other Financing Sources</b>							
Sale of Bonds				150,045	1,714,955		1,865,000
<i>Total Other Financing Sources</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,045</u>	<u>1,714,955</u>	<u>0</u>	<u>1,865,000</u>
<i>Net Change in Fund Balances</i>	<u>(143,653)</u>	<u>15,061</u>	<u>12,467</u>	<u>150,045</u>	<u>1,532,752</u>	<u>(2,307)</u>	<u>1,564,365</u>
<i>Fund Balances Beginning of Year</i>	<u>185,046</u>	<u>60,415</u>	<u>20,065</u>	<u>0</u>	<u>0</u>	<u>41,751</u>	<u>307,277</u>
<i>Fund Balances End of Year</i>	<u>\$41,393</u>	<u>\$75,476</u>	<u>\$32,532</u>	<u>\$150,045</u>	<u>\$1,532,752</u>	<u>\$39,444</u>	<u>\$1,871,642</u>

*See accompanying notes to the basic financial statements.*

**HARRISON 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, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
<b>Receipts</b>				
Property and Other Local Taxes	\$343,000	\$343,000	\$312,793	(\$30,207)
Fines and Forfeitures	7,000	7,000	4,172	(2,828)
Intergovernmental	138,000	138,000	105,573	(32,427)
Earnings on Investments	4,000	4,000	982	(3,018)
Miscellaneous	31,000	31,000	36,695	5,695
<i>Total receipts</i>	<u>523,000</u>	<u>523,000</u>	<u>460,215</u>	<u>(62,785)</u>
<b>Disbursements</b>				
Current:				
General Government	381,400	381,400	274,749	106,651
Public Safety	249,865	249,865	239,025	10,840
Public Works	14,000	14,000	11,539	2,461
Health	36,600	36,600	8,630	27,970
Conservation & Recreation	9,000	9,000	4,000	5,000
Capital Outlay	96,000	96,000	51,705	44,295
Debt Service:				
Principal Retirement	56,000	56,000	16,000	40,000
Interest and Fiscal Charges	15,000	15,000	6,526	8,474
<i>Total Disbursements</i>	<u>857,865</u>	<u>857,865</u>	<u>612,174</u>	<u>245,691</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(334,865)</u>	<u>(334,865)</u>	<u>(151,959)</u>	<u>182,906</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Notes	200,000	200,000	0	(200,000)
Other Financing Sources	1,000	1,000	0	(1,000)
<i>Total Other Financing Sources (Uses)</i>	<u>201,000</u>	<u>201,000</u>	<u>0</u>	<u>(201,000)</u>
<i>Net Change in Fund Balance</i>	(133,865)	(133,865)	(151,959)	(18,094)
<i>Fund Balance Beginning of Year</i>	<u>185,046</u>	<u>185,046</u>	<u>185,046</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$51,181</u></u>	<u><u>\$51,181</u></u>	<u><u>\$33,087</u></u>	<u><u>(\$18,094)</u></u>

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Receipts, Disbursements and Changes in  
Fund Balance - Budget and Actual -Budget Basis  
Permissive Motor Vehicle License Tax Fund  
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$18,000	\$18,000	\$37,717	\$19,717
Earnings on Investments	2,000	2,000	735	(1,265)
<i>Total receipts</i>	<u>20,000</u>	<u>20,000</u>	<u>38,452</u>	<u>18,452</u>
<b>Disbursements</b>				
Current:				
Public Works	70,000	70,000	23,392	46,608
<i>Total Disbursements</i>	<u>70,000</u>	<u>70,000</u>	<u>23,392</u>	<u>46,608</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(50,000)</u>	<u>(50,000)</u>	<u>15,060</u>	<u>65,060</u>
<i>Net Change in Fund Balance</i>	(50,000)	(50,000)	15,060	(65,060)
<i>Fund Balance Beginning of Year</i>	<u>60,416</u>	<u>60,416</u>	<u>60,416</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$10,416</u></u>	<u><u>\$10,416</u></u>	<u><u>\$75,476</u></u>	<u><u>(\$65,060)</u></u>

*See accompanying notes to the basic financial statements.*



**HARRISON TOWNSHIP  
HAMILTON COUNTY**

*Statement of Receipts, Disbursements and Changes in  
Fund Balance - Budget and Actual -Budget Basis  
Gasoline Tax Fund  
For the Year Ended December 31, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts</b>				
Intergovernmental	\$61,000	\$61,000	\$64,634	\$3,634
Earnings on Investments	1,000	1,000	106	(894)
<i>Total receipts</i>	<u>62,000</u>	<u>62,000</u>	<u>64,740</u>	<u>2,740</u>
<b>Disbursements</b>				
Current:				
Public Works	69,000	69,000	52,274	16,726
Capital Outlay	1,000	1,000	0	1,000
<i>Total Disbursements</i>	<u>70,000</u>	<u>70,000</u>	<u>52,274</u>	<u>17,726</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>(8,000)</u>	<u>(8,000)</u>	<u>12,466</u>	<u>(14,986)</u>
<i>Net Change in Fund Balance</i>	(8,000)	(8,000)	12,466	(20,466)
<i>Fund Balance Beginning of Year</i>	<u>20,066</u>	<u>20,066</u>	<u>20,066</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$12,066</u></u>	<u><u>\$12,066</u></u>	<u><u>\$32,532</u></u>	<u><u>(\$20,466)</u></u>

*See accompanying notes to the basic financial statements.*

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**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 1 - Reporting Entity**

Harrison Township, Hamilton County, Ohio (the Township), is a body politic and corporate established in 1850 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 Fiscal Officer.

The reporting entity is comprised solely of the primary government.

**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, maintenance of Township roads and bridges and cemetery maintenance. The Township contracts with the City of Harrison for fire protection. Police protection is provided by the Hamilton County Sheriff's Department.

**B. Component Unit**

The Township has no component units.

**C. Jointly Governed Organization and Public Entity Risk Pool**

The Township participates in one jointly governed organization and in one public entity risk pool. These organizations are:

**Jointly Governed Organization:**

*Harrison Township/City of Hamilton Joint Economic Development District* – This organization is the result of an agreement between the Township and the City of Harrison and is discussed in Note 13 to the financial statements.

**Public Entity Risk Pool:**

*Ohio Township Association Risk Management Authority (OTARMA)* – This organization provides property and casualty coverage to the Township. OTARMA is a member of the American Public Entity Excess Pool (APEEP). This organization is discussed in Notes 8 and 12 to the financial statements.

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

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 2 – Summary of Significant Accounting Policies**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This 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 cash basis of accounting. In the government-wide financial statements, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) Opinions issued on or before November 30, 1989, have been applied to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. Following are the more significant of the Township's accounting policies.

**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. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services. The Township has no business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include 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 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. The Township has only one fund that is classified as a nonmajor fund.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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. The Township only has one category of funds, which is governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Permissive Motor Vehicle License Tax Fund, Gasoline Tax Fund, General Bond & Note Retirement Fund, and the Miscellaneous Capital Projects Fund. 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 other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township has only one fund that is classified as a nonmajor fund.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. 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.

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

**D. Budgetary Process**

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the Township may appropriate. The appropriations resolution is the Township's authorization to spend resources and sets limits on disbursements plus encumbrances at the level of control selected by the Township. The legal level of control has been established at the fund, department, and object level for all funds.

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

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 resolution for that fund that covered the entire year, including amounts automatically carried forward from the prior year. 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 “Equity in Pooled Cash and Cash Equivalents”.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as 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, respectively.

During 2004, the Township invested in certificates of deposit, money market mutual funds and STAR Ohio. Investments are reported at cost. Money market mutual fund investments are recorded at the amount reported by Key Bank and Huntington Bank on December 31, 2004.

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, 2004.

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 2004 was \$982 and interest receipts credited to other funds was \$3,972.

**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. Interfund Receivables/Payables**

Advances-in and advances-out are reported for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements. No advances occurred during 2004.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 2 – Summary of Significant Accounting Policies (Continued)**

**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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**J. Long-Term Obligations**

The Township's 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.

**K. Net Assets**

Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation imposed by creditors, grantors, or laws or regulations of other governments.

**L. Fund Balance Reserves**

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2004, the Township had no exchange transactions. Subsidies from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements. In 2004, the Township had no interfund transfers.

**Note 3 – Compliance**

The Township did not properly certify the availability of funds for certain purchase commitments as required by Ohio Revised Code Section 5705.41(D).

**Note 4 – Change in Basis of Accounting and Change in Accounting Principle**

Through the year 2003, the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For this year, the Township has implemented the cash basis of accounting described in Note 2C. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 4 – Change in Basis of Accounting and Change in Accounting Principle (Continued)**

Also for the year 2004, the Township has implemented the provisions of GASB Statement No. 40, “Deposit and Investment Risk Disclosures”. GASB Statement No. 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk) and interest rate risk. This statement also establishes and modifies disclosure requirements for custodial credit risk on deposits.

**Note 5 – 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 Statements of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the general fund and for any major special revenue fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as other financing sources or uses (budgetary basis) rather than as an interfund receivables or payables (cash basis). In 2004, the Township had no advances between funds. The encumbrances outstanding at year end (budgetary basis) amounted to \$8,306 for the General Fund.

**Note 6 – 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 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



**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 6 – Deposits and Investments (Continued)**

Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, 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 based on completion of ORC training requirements.

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 respective financial institution to secure the repayment of all public monies deposited with the financial 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 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".

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 6 – Deposits and Investments (Continued)**

At year-end, the carrying amount of the Township’s deposits was \$54,142. Of the bank balance, \$54,142 is covered by federal depository insurance. Although all State statutory requirements for the deposit of money have been followed, noncompliance with the federal requirements could potentially subject the Township to a successful claim by the FDIC.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the Township will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Township did not have custodial credit risk as of December 31, 2004.

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

Investments

As of December 31, 2004, the Township had the following investments:

	Carrying Value	Maturity
Money Market Mutual Funds	\$135,203	average
Tax Increment Financing		average
Money Market Mutual Funds	150,045	
STAR Ohio	<u>1,532,252</u>	30 days
 Total Portfolio	 <u>\$1,817,500</u>	

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 the need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

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 funds be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 6 – Deposits and Investments (Continued)**

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 Township has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states “Payments for investments shall be made only upon the delivery of securities representing such investments to the treasurer, authorizing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall only be made upon receipt of confirmation of transfer from the custodian by the Fiscal Officer, Board of Trustees, or qualified trustee.”

**Note 7 – Property Taxes**

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2004 represent the collection of 2003 taxes. Real property taxes received in 2004 were levied after October 1, 2003, on the assessed values as of January 1, 2003, 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 2004 represent the collection of 2003 taxes. Public utility real and tangible personal property taxes received in 2003 became a lien on December 31, 2002, were levied after October 1, 2003, 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.

Tangible personal property tax receipts received in 2004 (other than public utility property) represent the collection of 2003 taxes. Tangible personal property taxes received in 2004 were levied after October 1, 2003, on the true value as of December 31, 2003. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The full tax rate for all Township operations for the year ended December 31, 2004, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2004 property tax receipts were based are as follows:

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 7 – Property Taxes (Continued)**

Real Property	
Residential	\$65,312,700
Agriculture	4,750,520
Commercial/Industrial/Mineral	9,157,590
Public Utility Property	
Real	0
Personal	4,522,450
Tangible Personal Property	<u>11,701,810</u>
Total Assessed Value	<u>\$95,445,070</u>

**Note 8 – Risk Management**

Risk Pool Membership

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

Casualty Coverage

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

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

Property Coverage

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**Note 8 – Risk Management (Continued)**

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

**Financial Position**

OTARMA’s financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2004 and 2003.

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

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

**Note 9 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

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**Note 9 – Defined Benefit Pension Plan (Continued)**

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

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.50 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2004 was 9.55 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, and 2002 were \$11,452, \$11,071 and \$11,168 respectively. The full amount has been contributed for 2004, 2003 and 2002.

**Note 10 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2004 local government employer contribution rate was 13.55 percent of covered payroll; 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.30 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**Note 10 – Postemployment Benefits (Continued)**

The number of active contributing participants in the traditional and combined plans was 369,885. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$460,084. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs.

**Note 11 – Debt**

The Township's long-term debt activity for the year ended December 31, 2004, was as follows:

	Interest Rate	Balance, 12/31/2003	Additions	Reductions	Balance, 12/31/2004	Due Within One Year
Township Building Notes	5.1%	\$128,000	\$0	\$16,000	\$112,000	\$16,000
Variable Rate Tax Increment Financing (TIF) Revenue Bonds	Variable	0	1,865,000	0	1,865,000	0
<b>Totals</b>		\$128,000	1,865,000	\$16,000	\$1,977,000	\$16,000

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2004

**Note 11 – Debt (Continued)**

The following is a summary of the Township’s future annual debt service requirements:

Year	Bonds Principal	Bonds Interest	Note Principal	Notes Interest	Total Principal	Total Interest
2005	\$0	\$76,465	\$16,000	\$5,712	\$16,000	\$82,177
2006	60,000	74,600	\$96,000	4,896	156,000	79,496
2007	65,000	72,200	0	0	65,000	72,200
2008	70,000	69,600	0	0	70,000	69,600
2009	70,000	66,800	0	0	70,000	66,800
2010-2014	410,000	288,600	0	0	410,000	288,600
2015-2019	525,000	198,000	0	0	525,000	198,000
2020-2024	665,000	82,400	0	0	665,000	82,400
Totals	\$1,865,000	\$928,665	\$112,000	\$10,608	\$1,977,000	\$939,273

The Variable Rate Tax Increment Financing Revenue Bonds (the Bonds) were issued on November 22, 2004, in the amount of \$1,865,000 for the purpose of constructing Southwest Parkway in Harrison Commerce Center.

The Bonds are not a general obligation of the Township and the taxing power of the Township is not pledged for the payment of the Bonds. The Bonds are limited revenue obligations of the issuer, payable solely from the service payments in lieu of taxes and certain other funds held under the trust agreement, and will neither secure nor be secured by any other obligations or assets, if any, which the issuer may have or acquire.

Principal and interest on the Bonds will be paid from funds drawn by the Huntington National Bank, as trustee, under an irrevocable direct pay letter of credit issued by Fifth Third Bank in the amount of \$1,964,637.

**Note 12 – Public Entity Risk Pool**

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

**Note 13 – Jointly Governed Organization**

In 2003, in accordance with the provisions of Ohio Revised Code Sections 715.72 through 715.81, a joint economic development district (JEDD) between the Township and the City of Harrison (the City) was approved by an agreement between the respective legislative authorities for a period of 99 years. The JEDD was formed for the purpose of facilitating economic development and improving the economic welfare of persons residing in the Township and the City. The agreement for formation of the district provides for the levying of an income tax on properties located within the district. The JEDD Board consists of one Township Trustee, the Township Administrator, and the Mayor of the City. The JEDD is currently in the process of increasing the Board to include one resident and one business person.





# Mary Taylor, CPA

## Auditor of State

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

Harrison Township  
Hamilton County  
300 George Street  
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated March 30, 2007, wherein we noted that the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures to express our opinions on the financial statements and not to opine on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2005-001.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the Township's management dated March 30, 2007, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters that we must report under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2005-001.

In a separate letter to the Township's management dated March 30, 2007, we reported other matters related to noncompliance we deemed immaterial.

We intend this report solely for the information and use of management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

March 30, 2007

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2005 AND 2004**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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**FINDING NUMBER 2005-001**

**Noncompliance Citation/Reportable Condition**

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

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

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

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

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

The Township did not properly certify the availability of funds for purchase commitments for 72% and 80% of expenditures tested, respectively, for 2005 and 2004 and none of the exceptions above applied. Failure to properly certify the availability of funds can result in overspending of funds and negative cash fund balances.

**FINDING NUMBER 2005-001  
(Continued)**

Unless the Township uses the exceptions noted above, prior certification is not only required by statute but also is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that funds are or will be available prior to obligation by the Township. When prior certification is not possible, "then and now" certification should be used.

We recommend that the Township's officials and employees obtain the Fiscal Officer's certification of the availability of funds prior to the commitment being incurred. The most convenient certification method is to use purchase orders that include the certification language 5705.41(D) requires to authorize disbursements. The Clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The Fiscal Officer should post approved purchase orders to the proper appropriation code to reduce the available appropriation.

**Officials' Response**

We did not receive a response from Officials to this finding.



**Mary Taylor, CPA**  
Auditor of State

**HARRISON 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  
APRIL 17, 2007**