

HARRISON TOWNSHIP

DAYTON REGION, MONTGOMERY COUNTY

REGULAR AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2006 - 2005



Mary Taylor, CPA

Auditor of State

Board of Trustees
Harrison Township
5945 North Dixie Drive
Dayton, Ohio 45414

We have reviewed the *Report of Independent Auditors'* of Harrison Township, Montgomery County, prepared by Manning & Associates CPAs, LLC, for the audit period January 1, 2005 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

The financial statements in the attached report are presented in accordance with a regulatory basis of accounting prescribed or permitted by the Auditor of State. Due to a February 2, 2005 interpretation from the American Institute of Certified Public Accountants (AICPA), modifications were required to the *Report of Independent Auditors'* on your financial statements. While the Auditor of State does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. The attached report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the statements are misstated under the non-GAAP regulatory basis. The *Report of Independent Auditors'* also includes an opinion on the financial statements using the regulatory format the Auditor of State permits.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 11, 2007

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**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

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MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414

REPORT OF INDEPENDENT AUDITORS'

Board of Trustees
Harrison Township
5945 North Dixie Drive
Dayton, Ohio 45414

We have audited the accompanying financial statements of Harrison Township, Montgomery County, (the Township), as of and for the years ended December 31, 2006 and 2005. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

Revisions to GAAP would require the Township to reformat its financial statement presentation and make other changes effective for the years ended December 31, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e major) funds separately for 2006 and 2005. While the Township does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. The Township has elected not to reformat its statements. Since this Township does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended December 31, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2006 and 2005, or its changes in financial position for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison Township, Montgomery County, as of December 31, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires the Township to include Management's Discussion and Analysis for the years ended December 31, 2006 and 2005. The Township has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 7, 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 grants 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.

Manning & Associates CPAs, LLC
Dayton, Ohio

May 7, 2007

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**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2006

GOVERNMENTAL FUND TYPES					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total (Memorandum Only)</u>
Cash Receipts:					
Local Taxes	\$ 232,796	\$ 5,818,347	\$ 411,927	\$	\$ 6,463,070
Changes for Services		1,678,795			1,678,795
Intergovernmental Receipts	1,290,494	1,175,759		3,886	2,470,139
Special Assessments	0	181,711			181,711
Licenses, Permits and Fees	33,570				33,570
Fines and Forfeitures	14,664				14,664
Earnings on Investments	559,754	8,835			568,589
Other Revenue	246,378	38,760			285,138
Total Cash Receipts	<u>2,377,656</u>	<u>8,902,207</u>	<u>411,927</u>	<u>3,886</u>	<u>11,695,676</u>
Cash Disbursements:					
Current:					
General Government	1,557,125	64,716			1,621,841
Public Safety		6,142,052		1,976	6,144,028
Public Works	10,000	2,164,225			2,174,225
Health	2,523				2,523
Conservation/Recreation	133,258				133,258
Miscellaneous	60,681		15,929		76,610
Debt Service:					
Redemption of Principal			300,000	2,750,000	3,050,000
Interest and Other Fiscal Charges			19,103	93,240	112,343
Capital Outlay		404,535		79,436	483,971
Total Cash Disbursements	<u>1,763,587</u>	<u>8,775,528</u>	<u>335,032</u>	<u>2,924,652</u>	<u>13,798,799</u>
Total Receipts Over/(Under) Disbursements	<u>614,069</u>	<u>126,679</u>	<u>76,895</u>	<u>(2,920,766)</u>	<u>(2,103,123)</u>
Other Financing Receipts/Disbursements					
Proceeds from Sale of Public Debt:					
Sale of Notes				2,450,000	2,450,000
Total Other Financing Receipts/(Disbursements)	<u>0</u>	<u>0</u>		<u>2,450,000</u>	<u>2,450,000</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>614,069</u>	<u>126,679</u>	<u>76,895</u>	<u>(470,766)</u>	<u>346,877</u>
Fund Cash Balances, January 1, 2006	<u>3,847,171</u>	<u>5,435,852</u>	<u>83,853</u>	<u>2,938,687</u>	<u>12,305,563</u>
Fund Cash Balances, December 31, 2006	<u>\$ 4,461,240</u>	<u>\$ 5,562,531</u>	<u>\$ 160,748</u>	<u>\$ 2,467,921</u>	<u>\$ 12,652,440</u>

The Notes to the Financial Statements are an integral part of this statement.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

	GOVERNMENTAL FUND TYPES				Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	
Cash Receipts:					
Local Taxes	\$ 225,443	\$ 5,614,702	\$ 158,598	\$	\$ 5,998,743
Changes for Services		1,692,298			1,692,298
Intergovernmental Receipts	861,679	1,010,631		162,277	2,034,587
Special Assessments	10,775	168,366			179,141
Licenses, Permits and Fees	49,469				49,469
Fines and Forfeitures	12,502				12,502
Earnings on Investments	415,157	7,937			423,094
Other Revenue	129,590	110,040		0	239,630
Total Cash Receipts	<u>1,704,615</u>	<u>8,603,974</u>	<u>158,598</u>	<u>162,277</u>	<u>10,629,464</u>
Cash Disbursements:					
Current:					
General Government	1,615,443	1,771			1,617,214
Public Safety		5,963,201		2,488	5,965,689
Public Works	10,000	2,218,425			2,228,425
Health	3,926				3,926
Conservation/Recreation	105,354				105,354
Human Services	33,128				33,128
Miscellaneous			3,745		3,745
Debt Service:					
Redemption of Principal			50,000	3,100,000	3,150,000
Interest and Other Fiscal Charges			21,000	64,919	85,919
Capital Outlay		211,914		276,070	487,984
Total Cash Disbursements	<u>1,767,851</u>	<u>8,395,311</u>	<u>74,745</u>	<u>3,443,477</u>	<u>13,681,384</u>
Total Receipts Over/(Under) Disbursements	<u>(63,236)</u>	<u>208,663</u>	<u>83,853</u>	<u>(3,281,200)</u>	<u>(3,051,920)</u>
Other Financing Receipts/Disbursements					
Proceeds from Sale of Public Debt:					
Sale of Notes	0		0	2,750,000	2,750,000
Sale of Fixed Assets	0	16,937	0	0	16,937
Transfers-In	207,364		0	31,967	239,331
Transfers-Out	(31,967)		0	(207,364)	(239,331)
Total Other Financing Receipts/(Disbursements)	<u>175,397</u>	<u>16,937</u>	<u>0</u>	<u>2,574,603</u>	<u>2,766,937</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<u>112,161</u>	<u>225,600</u>	<u>83,853</u>	<u>(706,597)</u>	<u>(284,983)</u>
Fund Cash Balances, January 1, 2005	<u>3,735,010</u>	<u>5,210,252</u>	<u>0</u>	<u>3,645,284</u>	<u>12,590,546</u>
Fund Cash Balances, December 31, 2005	<u>\$ 3,847,171</u>	<u>\$ 5,435,852</u>	<u>\$ 83,853</u>	<u>\$ 2,938,687</u>	<u>\$ 12,305,563</u>

The Notes to the Financial Statements are an integral part of this statement.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of Harrison Township of Montgomery County, (the Township) as a body corporate and politic. The Township is directed by a publicly elected three-member Board of Trustees. The Township provides road and bridge maintenance, fire protection, zoning, community development and emergency medical services. The Township contracts with the Montgomery County Sheriff's Office to provide security of persons and property.

The Township has created a community improvement corporation which is a not for profit corporation existing to advance, encourage and promote industrial, economic, commercial and civic development of a community or area. The Township appoints a voting majority of the organization's governing board and is financially accountable for the organization. Under accounting principles generally accepted in the United States of America (GAAP) the community improvement corporation would qualify as a component unit. As discussed in the Independent Accountants' Report, the Township does not report under GAAP. There was no significant financial activity during the two fiscal years.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

Treasury Bonds and Notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

D. Fund Accounting

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

General Fund:

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

Special Revenue Funds:

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

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

Garbage and Waste Fund – This fund receives garbage and waste fee receipts for garbage collection services provided to the citizens of Harrison Township.

Police District Fund – These funds receive property tax money to provide police services to the citizens of Harrison Township.

Fire District Fund – These funds receive property tax money to provide fire-fighting services to the citizens of Harrison Township.

Debt Service Funds

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

Tax Increment Revenue Note Fund – Financing for the development of The Executive Commercial Park.

Capital Project Funds

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

Capital Projects Fund – Fire Station – The Township established this fund to construct a new fire station.

Public Works Commission Project Fund – The Township received a grant from the State of Ohio to improve storm drainage, reconstruct streets, and add additional curbs and gutters in the Ome Gardens subdivision.

E. Budgetary Process

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

Appropriations

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

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINACIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

Estimated Resources

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

Encumbrances

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

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

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

G. Accumulated Leave

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

2. EQUITY IN POOLED CASH AND INVESTMENTS

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

	<u>2006</u>	<u>2005</u>
Demand Deposits	\$ 555,730	\$ 183,426
U.S. Treasury Bonds and Notes	9,407,712	8,789,520
STAR Ohio	<u>2,688,998</u>	<u>3,332,617</u>
Total Investments	<u>12,096,710</u>	<u>12,122,137</u>
Total Deposits and Investments	<u>\$ 12,652,440</u>	<u>\$ 12,305,563</u>

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

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

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

**HARRSION TOWNSHIP
MONTGOMERY COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

3. BUDGETARY ACTIVITY

Budgetary activity for the year ending December 31, 2006 was as follows:

2006 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,361,909	\$ 2,377,656	\$ 1,015,747
Special Revenue	8,572,156	8,902,207	330,051
Debt Service	74,350	411,927	337,577
Capital Projects	87,660	2,453,886	2,366,226
Total	<u>\$ 10,096,075</u>	<u>\$ 14,145,676</u>	<u>\$ 4,049,601</u>

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 4,244,938	\$ 1,763,587	\$ 2,481,351
Special Revenue	10,613,126	8,775,528	1,837,598
Debt Service	335,032	335,032	0
Capital Projects	2,945,960	2,924,652	21,308
Total	<u>\$ 18,139,056</u>	<u>\$ 13,798,799</u>	<u>\$ 4,340,257</u>

Budgetary activity for the year ending December 31, 2005 was as follows:

2005 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 1,238,530	\$ 1,911,979	\$ 673,449
Special Revenue	7,947,627	8,620,911	673,284
Debt Service	74,399	158,598	84,199
Capital Projects	100,000	2,944,244	2,844,244
Total	<u>\$ 9,360,556</u>	<u>\$ 13,635,732</u>	<u>\$ 4,275,176</u>

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 3,743,468	\$ 1,799,818	\$ 1,943,650
Special Revenue	9,515,395	8,395,311	1,120,084
Debt Service	77,743	74,745	2,998
Capital Projects	3,747,143	3,650,841	96,302
Total	<u>\$ 17,083,749</u>	<u>\$ 13,920,715</u>	<u>\$ 3,163,034</u>

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

3. BUDGETARY ACTIVITY (continued)

The Township did not comply with Section 5705.39 of the Ohio Revised Code. The appropriations exceeded estimated resources during 2006 in the TIF fund and Fire Fund. The appropriations exceeded estimated resources during 2005 in the TIF Fund and OME Gardens Fund.

4. PROPERTY TAX

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

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

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

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

5. DEBT

Debt outstanding at December 31, 2006 was as follows:

	<u>Principal</u>	<u>Interest Rate</u>
Bond Anticipation Note	<u>\$2,450,000</u>	3.85%

The Township's taxing authority collateralized the anticipation note. The Note is renewed annually.

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

	<u>Bond Anticipation Note</u>
Year Ending December 31	
2007	<u>\$2,544,063</u>
Total	<u>\$2,544,063</u>

7. RETIREMENT SYSTEM

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

The Ohio Revised Code also prescribes contribution rates. For 2006 and 2005, members of OP&F participants contributed 10 percent of their wages. The Township contributed an amount equal to 24 percent of their wages to OP&F. OPERS member contributed 9% and 8.5 percent of their gross salaries for 2006 and 2005, respectively. The Township contributed an amount equaling 13.7 and 13.55 percent of participants' gross salaries for 2006 and 2005, respectively. The Township has paid all contributions required through December 31, 2006.

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2005 the Township contracted with the Ohio Township Association Risk Management Authority (OTARMA), a risk sharing pool available to Ohio Townships. OTAMRA provides property and casualty coverage for its members. OTAMRA is a member of the American Public Entity Excess Pool (APEEP). Member governments pay annual contributions to fund OTAMRA. OTAMRA pays judgments, settlements, and other expenses resulting from covered claims that exceed the members' deductibles. Coverage provided by OTAMRA is as follows:

Legal Liability	\$2,000,000	Per Occurrence
Automobile Liability	2,000,000	Per Occurrence
Law Enforcement Operations	2,000,000	Per Occurrence
Wrongful Acts	2,000,000	Per Occurrence
Property	624,600	Total Coverage
Boiler and Machinery	N/A	Limit

There were no significant reductions in coverage from prior years and claims have not exceeded insurance coverage in any of the past three years. The Township pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is based on accident history and administrative costs.

Casualty Coverage

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

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

Financial Position

OTARMA's financial statements (audited by other accountants) conform to generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2005 and 2004 (the latest information available):

<u>Casualty Coverage</u>	<u>2005</u>	<u>2004</u>
Assets	\$30,485,638	\$28,132,620
Liabilities	<u>(12,344,576)</u>	<u>(11,086,379)</u>
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	<u>(1,406,031)</u>	<u>(543,176)</u>
Retained Earnings	<u>\$7,771,765</u>	<u>\$7,045,167</u>

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005**

8. RISK MANAGEMENT (continued)

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. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims collectible in future years is approximately \$13,000. This payable includes the subsequent year's contribution due if the Township terminates participation, as described in the last paragraph below.

Based on discussions with OTARMA the expected rates 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.

<u>Township Contributions to OTARMA</u>	
2004	\$59,083
2005	\$60,416
2006	\$63,276

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.

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**MANNING & ASSOCIATES CPAS, LLC
6105 NORTH DIXIE DRIVE
DAYTON, OHIO 45414**

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

Board of Trustees
Harrison Township
5945 North Dixie Drive
Dayton, Ohio 45414

To the Board of Trustees:

We have audited the financial statements of Harrison Township, Montgomery County (the Township), as of and for the years ended December 31, 2006 and 2005, and have issued our report thereon dated May 7, 2007, wherein we noted the Township followed accounting practices the Auditor of State prescribes or permits rather than accounting principles generally accepted in the United States of America. 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Township's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Township's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Township's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Township's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Township's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding first paragraph of this section and would not necessarily identify all internal control deficiencies that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

We noted certain matters that we reported to the Township's management in a separate letter dated May 7, 2007.

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 grants agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance that we must report under *Government Auditing Standard*.

We did note certain noncompliance or other matters that we reported to the Township's management in a separate letter dated May 7, 2007.

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.

Manning & Associates CPAs, LLC
Dayton, Ohio
May 7, 2007

**HARRISON TOWNSHIP
MONTGOMERY COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
FISCAL YEAR END DECEMBER 31, 2006 AND 2005**

FINDING NUMBER	FINDING SUMMARY	FULLY CORRECTED?	NOT CORRECTED, PARTIALLY CORRECTED; SIGNIFICANTLY DIFFERENT CORRECTIVE ACTION TAKEN; OR FINDING NO LONGER VALID; <i>EXPLAIN:</i>
2004-001	Ohio Rev Code Section 5705.39 Appropriations exceed estimated resources	PARTIALLY	Reissue as Management Letter Comment
2004-002	Ohio Rev Code Section 5705.41(D) Prior certification of funds	PARTIALLY	Reissue as Management Letter Comment



Mary Taylor, CPA
Auditor of State

HARRISON TOWNSHIP

MONTGOMERY 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
JULY 24, 2007**