

Harrison Township, Ohio



Basic Financial Statements

December 31, 2011



Dave Yost • Auditor of State

Board of Trustees
Harrison Township
300 George Street
Harrison, Ohio 45030

We have reviewed the *Independent Auditors' Report* of Harrison Township, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2011 through December 31, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

December 17, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Harrison Township
Hamilton County
300 George Street
Harrison, Ohio 45030

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Ohio, (the Township) as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements. 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 2, the accompanying financial statements and notes follow the modified cash accounting basis. This is a comprehensive accounting basis other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2011, and the respective changes in modified cash financial position thereof and the respective budgetary comparisons for the General, Gasoline Tax, Permissive Motor Vehicle License Tax, TIF Equivalent and Fire District Funds thereof for the year then ended in conformity with the accounting basis Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
August 24, 2012

**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

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, 2011, within the limitations of the Township's use of modified 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 2011 are as follows:

- Net assets of governmental activities increased by \$685,585 or 48% from the prior year. The increase in net assets was mostly due to an increase in estate tax receipts.
- The Township's most significant sources of receipts are property and other taxes and intergovernmental revenues, which include local government funds. These receipts represent approximately 91% of the total governmental activities receipts.

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 modified cash basis of accounting.

Report Components

The Statement of Net Assets and the Statement of Activities provide information about the cash activities of the Township as a whole.

Fund financial statements provide a greater level of detail. Funds are created and maintained on the financial records of the Township as a way to segregate money whose use is restricted to a particular specified purpose. These statements present financial information by fund, presenting funds with the largest balances or most activity in separate columns.

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

**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

As a result of using the modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable) and certain liabilities and their related expenses (such as accounts payable) are not recorded in the financial statements. Therefore, when reviewing the financial information and discussion within this report, the reader must keep in mind the limitations resulting from the use of the modified cash basis of accounting.

Beginning in 2011, the Township adopted a policy of preparing its financial statements on the modified cash basis of accounting rather than the cash basis. This method was selected to properly present investments held at December 31, 2011. Had the Township utilized the modified cash basis in 2010, there would have been no change in presentation.

Reporting the Township as a Whole

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2011, within the limitations of use of modified 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 modified cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Assets and the Statement of Activities, 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

**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

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 2011 compared to 2010 on a modified cash basis:

Table 1
Net Assets - Cash Basis

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets		
Equity in Pooled Cash and Investments	<u>\$2,110,870</u>	<u>\$1,425,285</u>
Total Assets	<u><u>2,110,870</u></u>	<u><u>1,425,285</u></u>
Net Assets		
Restricted	690,647	707,039
Unrestricted	<u>1,420,223</u>	<u>718,246</u>
Total Net Assets	<u><u>\$2,110,870</u></u>	<u><u>\$1,425,285</u></u>

As mentioned previously, net assets of governmental activities increased by \$685,585 or 48% during 2011. The increase in net assets was mostly due to an increase in estate tax receipts.

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**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

Table 2 below reflects the changes in net assets in 2011.

Table 2
Changes in Net Assets

	2011	2010
Receipts		
Program Receipts:		
Charges for Services and Sales	\$52,421	\$95,106
Operating Grants and Contributions	124,059	134,134
Total Program Receipts	<u>176,480</u>	<u>229,240</u>
General Receipts:		
Property Taxes	765,700	635,953
Other Taxes	69,752	50,724
Grants and Entitlements	1,114,984	163,629
Miscellaneous	8,666	6,809
Total General Receipts	<u>1,959,102</u>	<u>857,115</u>
Total Receipts	<u>2,135,582</u>	<u>1,086,355</u>
Disbursements		
General Government	838,912	560,959
Public Safety	105,462	261,017
Public Works	188,185	83,045
Health	11,755	9,035
Conservation - Recreation	3,000	3,500
Capital Outlay	148,220	19,057
Debt Service (principal & interest)	154,463	151,404
Total Disbursements	<u>1,449,997</u>	<u>1,088,017</u>
Change in Net Assets	685,585	(1,662)
Net Assets, January 1	<u>1,425,285</u>	<u>1,426,947</u>
Net Assets, December 31	<u>\$2,110,870</u>	<u>\$1,425,285</u>

Program receipts represent 8.3% of total receipts and are comprised of charges for services and restricted intergovernmental receipts such as motor vehicle license and gas tax monies.

General receipts represent 91.7% of total receipts and approximately 42.6% of those receipts are property and other local taxes. Grants and entitlements make up 56.9% of the balance of general receipts. 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 represents repairs and maintenance throughout the Township.

**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

Grants and Entitlements increased mainly due to an increase in estate taxes received in 2011 as compared to 2010. Capital outlay disbursements increased due to the purchase of three acres of land in 2011. General Government disbursements increased mainly due to increases in personnel costs and general inflationary factors.

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, public works, and capital outlay which account for 58%, 7%, 13% and 10% 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

	Total Cost of Services		Net Cost of Services	
	2011	2010	2011	2010
General Government	\$838,912	\$560,959	(\$817,386)	(\$494,993)
Public Safety	105,462	261,017	(75,177)	(232,015)
Public Works	188,185	83,045	(64,126)	51,089
Health	11,755	9,035	(11,755)	(9,035)
Conservation - Recreation	3,000	3,500	(3,000)	(3,500)
Other	0	0	610	138
Capital Outlay	148,220	19,057	(148,220)	(19,057)
Debt Service - Principal & Interest	154,463	151,404	(154,463)	(151,404)
Total Expenditures	<u>\$1,449,997</u>	<u>\$1,088,017</u>	<u>(\$1,273,517)</u>	<u>(\$858,777)</u>

The Township's Funds

Total governmental funds had receipts of \$2,135,582 and disbursements of \$1,449,997. The Township experienced an increase in intergovernmental revenue and general government expenditures in 2011 as compared to 2010.

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.

**Harrison Township, Hamilton County
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2011
(Unaudited)**

For the year ended December 31, 2011, General Fund final actual receipts were slightly below final budgeted receipts, primarily due to variances in property and other local taxes and intergovernmental revenue. However, General Fund final actual disbursements were significantly below final budgeted expenditures, primarily due to a variance in general government and public safety expenditures.

Capital Assets and Debt Administration

Capital Assets

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

Debt

At December 31, 2011, the Township's outstanding debt included \$163,998 in capital leases and \$1,445,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Note 9 and 10 in the notes to the basic financial statements.

For the Future

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 - Modified Cash Basis
December 31, 2011

	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$2,110,870</u>
Total Assets	<u>2,110,870</u>
Net Assets:	
Restricted for:	
Gasoline Tax	196,396
Road and Bridge	96,742
Permissive Motor Vehicle Tax	230,743
Debt Service	150,045
Other Purposes	16,721
Unrestricted	<u>1,420,223</u>
Total Net Assets	<u>\$2,110,870</u>

See accompanying notes to the basic financial statements.

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

	Cash Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
General Government	\$838,912	\$21,526	\$0
Public Safety	105,462	30,285	0
Public Works	188,185	0	124,059
Health	11,755	0	0
Conservation - Recreation	3,000	0	0
Other	0	610	0
Capital Outlay	148,220	0	0
Debt Service:			
Principal Retirement	102,925	0	0
Interest and Fiscal Charges	51,538	0	0
Total Governmental Activities	<u>\$1,449,997</u>	<u>\$52,421</u>	<u>\$124,059</u>

General Receipts:
Property Taxes
Other Taxes
Grants and Entitlements not Restricted to Specific Programs
Earnings on Investments
Revenue in Lieu of Taxes
Miscellaneous

Total General Receipts

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts
and Changes in Net Assets

<u>Total</u>
(\$817,386)
(75,177)
(64,126)
(11,755)
(3,000)
610
(148,220)
(102,925)
<u>(51,538)</u>
<u>(1,273,517)</u>

765,700
69,752
1,114,984
1,321
1,284
<u>6,061</u>

1,959,102

685,585

1,425,285

\$2,110,870

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

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Equivalent
Assets:				
Equity in Pooled Cash and Investments	\$1,419,608	\$196,396	\$230,743	\$6,988
Total Assets	<u>1,419,608</u>	<u>196,396</u>	<u>230,743</u>	<u>6,988</u>
Fund Balances:				
Restricted	0	196,396	230,743	6,988
Assigned	0	0	0	0
Unassigned	<u>1,419,608</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$1,419,608</u>	<u>\$196,396</u>	<u>\$230,743</u>	<u>\$6,988</u>

See accompanying notes to the basic financial statements.

Fire District	Other Governmental Funds	Total Governmental Funds
\$0	\$257,135	\$2,110,870
0	257,135	2,110,870
0	256,520	690,647
0	615	615
0	0	1,419,608
\$0	\$257,135	\$2,110,870

Harrison Township, Hamilton County
Statement of Receipts, Expenditures
and Changes in Fund Balance - Modified Cash Basis
Governmental Funds
For the Fiscal Year Ended December 31, 2011

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Equivalent
Receipts:				
Property and Other Local Taxes	\$336,783	\$0	\$0	\$274,754
Charges for Services	21,526	0	0	0
Licenses, Permits and Fees	30,285	0	0	0
Fines and Forfeitures	610	0	0	0
Intergovernmental	1,162,948	83,432	39,130	0
Earnings on Investments	1,173	127	14	0
Revenue in Lieu of Taxes	0	0	0	0
Miscellaneous	6,061	0	0	0
Total Receipts	1,559,386	83,559	39,144	274,754
Expenditures:				
Current:				
General Government	536,423	0	0	147,029
Public Safety	105,462	0	0	0
Public Works	20,197	153,372	0	0
Health	11,755	0	0	0
Conservation - Recreation	3,000	0	0	0
Capital Outlay	148,220	0	0	0
Debt Service:				
Principal Retirement	22,925	0	0	0
Interest and Fiscal Charges	9,434	0	0	0
Total Expenditures	857,416	153,372	0	147,029
Excess of Receipts Over (Under) Expenditures	701,970	(69,813)	39,144	127,725
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers (Out)	0	0	0	(122,104)
Total Other Financing Sources (Uses)	0	0	0	(122,104)
Net Change in Fund Balance	701,970	(69,813)	39,144	5,621
Fund Balance Beginning of Year	717,638	266,209	191,599	1,367
Fund Balance End of Year	\$1,419,608	\$196,396	\$230,743	\$6,988

See accompanying notes to the basic financial statements.

Fire District	Other Governmental Funds	Total Governmental Funds
\$135,899	\$18,264	\$765,700
0	0	21,526
0	0	30,285
0	0	610
19,561	3,724	1,308,795
0	7	1,321
0	1,284	1,284
0	0	6,061
<u>155,460</u>	<u>23,279</u>	<u>2,135,582</u>
155,460	0	838,912
0	0	105,462
0	14,616	188,185
0	0	11,755
0	0	3,000
0	0	148,220
0	80,000	102,925
0	42,104	51,538
<u>155,460</u>	<u>136,720</u>	<u>1,449,997</u>
<u>0</u>	<u>(113,441)</u>	<u>685,585</u>
0	122,104	122,104
0	0	(122,104)
<u>0</u>	<u>122,104</u>	<u>0</u>
0	8,663	685,585
0	248,472	1,425,285
<u>\$0</u>	<u>\$257,135</u>	<u>\$2,110,870</u>

Harrison Township, Hamilton County
Statement of Receipts, Disbursements and Changes in
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$164,138	\$361,104	\$336,783	(\$24,321)
Charges for Services	10,491	23,081	21,526	(1,555)
Licenses, Permits and Fees	14,760	32,472	30,285	(2,187)
Fines and Forfeitures	297	654	610	(44)
Intergovernmental	566,787	1,246,932	1,162,948	(83,984)
Earnings on Investments	572	1,258	1,173	(85)
Other Revenues	2,954	6,499	6,061	(438)
Total Revenues	759,999	1,672,000	1,559,386	(112,614)
Expenditures:				
Current:				
<u>General Government</u>				
Personnel Services	132,426	132,426	99,252	33,174
Contractual Services	40,788	40,788	30,570	10,218
Supplies and Materials	309,851	309,851	232,230	77,621
Other Expenditures	232,653	232,653	174,371	58,282
Total General Government	715,718	715,718	536,423	179,295
<u>Public Safety</u>				
Supplies and Materials	135,023	135,023	101,198	33,825
Other Expenditures	5,689	5,689	4,264	1,425
Total Public Safety	140,712	140,712	105,462	35,250
<u>Public Works</u>				
Other Expenditures	26,948	26,948	20,197	6,751
Total Public Works	26,948	26,948	20,197	6,751
<u>Health</u>				
Supplies and Materials	15,684	15,684	11,755	3,929
Total Health	15,684	15,684	11,755	3,929
<u>Conservation - Recreation</u>				
Supplies and Materials	4,003	4,003	3,000	1,003
Total Conservation-Recreation	4,003	4,003	3,000	1,003
Capital Outlay	197,761	197,761	148,220	49,541
Debt Service:				
Principal Retirement	30,587	30,587	22,925	7,662
Interest and Fiscal Charges	12,587	12,587	9,434	3,153
Total Expenditures	1,144,000	1,144,000	857,416	286,584
Net Change in Fund Balance	(384,001)	528,000	701,970	173,970
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	717,638	717,638	717,638	0
Fund Balance End of Year	\$333,637	\$1,245,638	\$1,419,608	\$173,970

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$97,851	\$97,851	\$83,432	(\$14,419)
Earnings on Investments	149	149	127	(22)
Total Revenues	98,000	98,000	83,559	(14,441)
Expenditures:				
Current:				
<u>Public Works</u>				
Personnel Services	26,758	26,758	17,100	9,658
Contractual Services	175,831	175,831	112,365	63,466
Supplies and Materials	37,008	37,008	23,650	13,358
Other Expenditures	402	402	257	145
Total Public Works	239,999	239,999	153,372	86,627
Total Expenditures	239,999	239,999	153,372	86,627
Net Change in Fund Balance	(141,999)	(141,999)	(69,813)	72,186
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	266,209	266,209	266,209	0
Fund Balance End of Year	\$124,210	\$124,210	\$196,396	\$72,186

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Permissive Motor Vehicle License Tax Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$40,985	\$40,985	\$39,130	(\$1,855)
Earnings on Investments	15	15	14	(1)
Total Revenues	<u>41,000</u>	<u>41,000</u>	<u>39,144</u>	<u>(1,856)</u>
Expenditures:				
Current:				
<u>Public Works</u>				
Supplies and Materials	100,000	100,000	0	100,000
Total Public Works	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Net Change in Fund Balance	(59,000)	(59,000)	39,144	98,144
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>191,599</u>	<u>191,599</u>	<u>191,599</u>	<u>0</u>
Fund Balance End of Year	<u>\$132,599</u>	<u>\$132,599</u>	<u>\$230,743</u>	<u>\$98,144</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	TIF Equivalent Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$275,000	\$275,000	\$274,754	(\$246)
Total Revenues	275,000	275,000	274,754	(246)
Expenditures:				
Current:				
<u>General Government</u>				
Contractual Services	35,938	35,938	35,171	767
Other Expenditures	114,296	114,296	111,858	2,438
Total General Government	150,234	150,234	147,029	3,205
Total Expenditures	150,234	150,234	147,029	3,205
Excess of Revenues Over (Under) Expenditures	124,766	124,766	127,725	2,959
Other financing sources (uses):				
Transfers (Out)	(124,766)	(124,766)	(122,104)	2,662
Total Other Financing Sources (Uses)	(124,766)	(124,766)	(122,104)	2,662
Net Change in Fund Balance	0	0	5,621	5,621
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	1,367	1,367	1,367	0
Fund Balance End of Year	<u>\$1,367</u>	<u>\$1,367</u>	<u>\$6,988</u>	<u>\$5,621</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2011

	Fire District Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$152,980	\$152,980	\$135,899	(\$17,081)
Intergovernmental	22,020	22,020	19,561	(2,459)
Total Revenues	175,000	175,000	155,460	(19,540)
Expenditures:				
Current:				
<u>General Government</u>				
Contractual Services	172,626	172,626	153,351	19,275
Other Expenditures	2,374	2,374	2,109	265
Total General Government	175,000	175,000	155,460	19,540
Total Expenditures	175,000	175,000	155,460	19,540
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	\$0	\$0	\$0	\$0

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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 Harrison 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 6 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 Fiscal Year Ended December 31, 2011

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2C, these financial statements are presented on a modified cash basis of accounting. This modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the modified cash basis of accounting. Following are the more significant of the Township's accounting policies.

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 modified cash basis or draws from the Township's general receipts.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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. Other Governmental Funds are aggregated and presented in a single column. The Township has only three funds that are classified as Other Governmental Funds.

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, Gasoline Tax Fund, Permissive Motor Vehicle License Tax Fund, TIF Equivalent Fund, and the Fire District 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 three funds that are classified as Other Governmental Funds.

C. Basis of Accounting

Beginning in 2011, the Township adopted a policy of preparing its financial statements on the modified cash basis of accounting rather than the cash basis. This method was selected to properly present investments held at December 31, 2011. Had the Township utilized the modified cash basis in 2010, there would have been no change in presentation.

The Township's financial statements are prepared using the modified cash basis of accounting. Except for the recording of the change in market value of held investments as increases or decreases to investment earnings, 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 this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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.

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. Equity in Pooled 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 Investments".

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales.

During 2011, the Township had investments in money market mutual funds, governmental securities and STAR Ohio.

The Township's money market mutual fund investments are recorded at the amount reported by the respective financial institutions on December 31, 2011.

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

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2011.

Earnings on Investments are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Earnings on Investments credited to the General Fund during 2011 were \$1,173 and Earnings in Investments credited to all other funds were \$148.

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 2011.

I. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 7 and 8, the employer contributions include portions for pension benefits and for postretirement health care benefits.

J. Long-Term Obligations

The Township's modified cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid.

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. Of the \$690,647 in restricted net assets, none were restricted by enabling legislation.

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Township classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

the resources. The following categories are used:

Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.

Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.

Committed – resources that are constrained for specific purposes that are internally imposed by the government at its highest level of decision making authority, Board of Trustees.

Assigned – resources that are intended to be used for specific purposes as approved through the Township's formal purchasing procedure by the Fiscal Officer.

Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The Township applies restricted resources first when an expenditure is incurred for purposes which both restricted and unassigned fund balances are available. The Township considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unassigned fund balance classifications could be used.

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2011, the Township had no interfund 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.

Note 3 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement(s) of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – budgetary basis presented for the General Fund and each major 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 modified cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as an assignment of fund balance (modified 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 (modified cash basis). In

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

2011, the Township had no advances between funds.

Note 4 – Equity in Pooled Cash 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;
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;

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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 \$974,193. The entire bank balance 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. At year end, none of the Township's bank balance of \$997,653 was exposed to custodial credit risk because it was insured and collateralized. Although all state statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the Township to a successful claim by the FDIC.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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, 2011, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Mortgage	\$979,029	1.45
Money Market Funds	150,045	0.00
STAR Ohio	7,603	0.16
	<u>\$1,136,677</u>	
Portfolio Weighted Average Maturity		1.25

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 Fiscal Year Ended December 31, 2011

Note 5 – 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 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2011 represent the collection of 2010 taxes. Public utility real and tangible personal property taxes received in 2010 became a lien on December 31, 2009, were levied after October 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Township operations for the year ended December 31, 2011, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

Real Property	\$91,932,510
Public Utility Property	<u>4,598,490</u>
	<u><u>\$96,531,000</u></u>

Note 6 – Risk Management

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

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

Casualty Coverage

For an occurrence prior to January 1, 2006, 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. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$13,000,000 in additional coverage 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 the annual aggregate limit of \$10,000,000.

Property Coverage

The Travelers Indemnity Company reinsures specific losses exceeding \$500,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$150,000 up to \$500,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

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

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2011 and 2010:

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

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

At December 31, 2011 and 2010, respectively, liabilities noted above include approximately \$9.1 million and \$9.9 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$8.6 million and \$9.5 million of unpaid claims to be billed to 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims for 2011 is approximately \$21,690.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2011 and 2010 were \$13,345 and \$10,642, respectively.

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they give written notice to OTARMA 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Note 7 – Pension Plans

Ohio Public Employees Retirement System

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Township is 14% of covered payroll. The contribution rates are determined actuarially. The Township's required contributions to OPERS for the years ended December 31, 2011, 2010 and 2009 were \$12,379, \$13,007 and \$10,501, respectively. The full amount has been contributed for 2011, 2010 and 2009.

Note 8 – Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at www.opers.org.

Funding Policy

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, the Township contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to the health care plan was 4.0% during calendar year 2011. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from Township's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The Township's actual contributions for the current year, which were used to fund postemployment benefits, were \$3,537 for 2011, \$852 for the period of January 1 through February 28, 2010 and \$3,871 for the period of March 1, 2010 through December 31, 2010, and \$1,313 for the period of January 1 through March 31, 2009 and were \$3,094 for the period of April 1 through December 31, 2009.

OPERS Retirement Board Implements its Health Care Preservation Plan

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1 of each year 2006 to 2008, which allowed additional funds to be allocated to the health care plan.

Note 9 – Debt

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

		<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities						
<u>Bonds Payable</u>						
Variable Rate TIF Revenue	Variable	\$1,525,000	\$0	\$80,000	\$1,445,000	\$80,000
Capital Leases		186,923	0	22,925	163,998	24,082
Total Long-Term Debt		<u>\$1,711,923</u>	<u>\$0</u>	<u>\$102,925</u>	<u>\$1,608,998</u>	<u>\$104,082</u>

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

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

<u>Years</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$80,000	\$28,756	\$108,756
2013	85,000	27,163	112,163
2014	90,000	25,472	115,472
2015	95,000	23,680	118,680
2016	100,000	21,791	121,791
2017-2021	575,000	77,112	652,112
2022-2024	420,000	16,915	436,915
Totals	<u>\$1,445,000</u>	<u>\$220,889</u>	<u>\$1,665,889</u>

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 TIF Revenue Bonds are not secured by the full faith and credit 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.

Under the Tax Increment Financing (TIF) Agreement the debt service requirements are initially the responsibility of the developer until the property owners pay sufficient revenues based on the increased value of the land and improvements. Debt service payments by the developer are not reflected in the Township’s financial statements.

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 10 – Capital Leases

The Township entered into a capital lease for a fire apparatus.

The Township’s lease meets the criteria of capital lease. A capital lease generally transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund.

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of fiscal year end.

Fiscal Year Ending December 31,	Long-Term Debt
2012	\$32,359
2013	32,359
2014	32,359
2015	32,359
2016	32,359
2017	32,359
Total Payments	194,154
Less: Interest	(30,156)
Present Value of Minimum Lease Payments	<u>\$163,998</u>

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.

Note 13 – Interfund Transfers

During 2011, the following transfers were made:

	Transfer In	Transfer Out
TIF Equivalent	\$0	\$122,104
Other Governmental Funds	122,104	0
Total Transfers in All Funds	<u>\$122,104</u>	<u>\$122,104</u>

Harrison Township, Hamilton County
Notes to the Basic Financial Statements
For the Fiscal Year Ended December 31, 2011

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. Transfers were made in 2011 for debt service payments.

Note 14 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Equivalent	Other Governmental Funds	Total
Restricted for:						
Gasoline Tax	\$0	\$196,396	\$0	\$0	\$0	\$196,396
Permissive Motor Vehicle Tax	0	0	230,743	0	0	230,743
TIF Equivalent	0	0	0	6,988	0	6,988
TIF Debt Service Reserve	0	0	0	0	150,045	150,045
Road and Bridge	0	0	0	0	96,742	96,742
Other Purposes	0	0	0	0	9,733	9,733
Total Restricted	0	196,396	230,743	6,988	256,520	690,647
Assigned to:						
Miscellaneous Capital Projects	0	0	0	0	615	615
Total Assigned	0	0	0	0	615	615
Unassigned (Deficit)	1,419,608	0	0	0	0	1,419,608
Total Fund Balance	\$1,419,608	\$196,396	\$230,743	\$6,988	\$257,135	\$2,110,870

Harrison Township, Ohio



Yellow Book Report

December 31, 2011

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Harrison Township
Hamilton County
300 George Street
Harrison, Ohio 45030

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township (the Township), as of and for the year ended December 31, 2011, which collectively comprise the Township's basic financial statements and have issued our report thereon dated August 24, 2012 wherein we noted the Township uses a comprehensive accounting basis other than generally accepted accounting. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Township is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Township in a separate letter dated August 24, 2012.

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

Plattensburg & Associates, Inc.

Plattensburg & Associates, Inc.
August 24, 2012



Dave Yost • 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
DECEMBER 27, 2012