



Mary Taylor, CPA  
Auditor of State



HARRISON TOWNSHIP  
HAMILTON COUNTY

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Hamilton County  
300 George Street  
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio (the Township), as of and for the year ended December 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates the UAN. However, *Government Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio, as of December 31, 2007, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Permissive Motor Vehicle License Tax Fund, and Gasoline Tax Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 9, 2008

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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This discussion and analysis of the financial performance of Harrison Township, Hamilton County, Ohio (the Township), provides an overall review of the Township's financial activities for the year ended December 31, 2007, within the limitations of the Township's use of cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2007 are as follows:

- Net assets of governmental activities increased by \$303,290 or 53% from the prior year. The increase in net assets was mostly due to an increase in property tax receipts.
- The Township's most significant sources of receipts are property taxes and intergovernmental revenues, which include local government funds. These receipts represent approximately 54% of the total governmental activities receipts. Property taxes for 2007 increased approximately 11% compared to 2006.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments*", as applicable to the cash basis of accounting.

**Report Components**

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

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

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the financial statements.

**Basis of Accounting**

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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

**Reporting the Township as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2007, within the limitations of use of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include (where applicable) charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Assets and the Statement of Activities, the Township has only governmental activities. The Township's basic services are reported here, including safety services, community center operations and cemetery maintenance. Property taxes and local government funds finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds, not about the Township as a whole. The Township has established separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for 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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

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**The Township as a Whole**

Table 1 below provides a summary of the Township's net assets for 2007 compared to 2006 on a cash basis:

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

	<b>Governmental Activities</b>	
	<b>2007</b>	<b>2006</b>
<b>Assets</b>		
Equity in Pooled Cash and Equivalents	\$871,680	\$568,390
<b>Total Assets</b>	<b>\$871,680</b>	<b>\$568,390</b>
<b>Net Assets</b>		
Restricted for:		
Debt Service	\$150,045	\$150,045
Capital Projects	835	103
Other Purposes	316,338	192,094
Unrestricted	404,462	226,148
<b>Total Net Assets</b>	<b>\$871,680</b>	<b>\$568,390</b>

As mentioned previously, net assets of governmental activities increased by \$303,290 or 53% during 2007. The primary reason for the increase in net assets was due to an increase in property tax receipts and proceeds from the sale of fire equipment to another township.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
Unaudited

Table 2 below reflects the changes in net assets in 2007.

	<u>2007</u>	<u>2006</u>
<b>Receipts</b>		
Program Receipts:		
Charges for Services and Sales	\$127,052	\$65,151
Operating Grants and Contributions	134,096	136,574
Total Program Receipts	<u>261,148</u>	<u>201,725</u>
General Receipts:		
Property Taxes Levied for General Purposes	407,291	365,715
Other Local Taxes	39,563	40,127
Grants and Entitlements Not Restricted to Specific Programs	155,969	133,481
Earnings on Investments	24,289	16,128
Miscellaneous	224,988	9,550
Total General Receipts	<u>852,100</u>	<u>565,001</u>
<b>Total Receipts</b>	<b><u>1,113,248</u></b>	<b><u>766,726</u></b>
<b>Disbursements</b>		
General Government	416,287	288,060
Public Safety	97,517	93,331
Public Works	52,786	134,258
Health	7,857	9,149
Conservation & Recreation	4,000	4,000
Capital Outlay	105,832	3,459
Debt Service (principal & interest)	125,679	144,499
<b>Total Disbursements</b>	<b><u>809,958</u></b>	<b><u>676,756</u></b>
<b>Change in Net Assets</b>	<b>303,290</b>	<b>89,970</b>
<b>Net Assets, January 1</b>	<b><u>568,390</u></b>	<b><u>478,420</u></b>
<b>Net Assets, December 31</b>	<b><u><u>\$871,680</u></u></b>	<b><u><u>\$568,390</u></u></b>

Program receipts represent 23% 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 77% of total receipts and approximately 48% of those receipts are property and other local taxes. Grants and entitlements make up 18% 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 the down payment on a new fire apparatus which will be delivered in 2008.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2007  
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Property Taxes increased mainly due to an increase in property tax receipts in 2007 as compared to 2006. Grants and Entitlements increased mainly due to an increase in grant monies in 2007 as compared to 2006. Miscellaneous revenue increased mainly due to an increase in payments in lieu of taxes receipts in 2007 as compared to 2006. Total Expenditures increased mainly due to increases in general inflationary costs.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for capital outlay, general government and public safety, which account for 13%, 51%, and 12% of all governmental disbursements, respectively. The next column of the statement entitled program receipts identifies amounts paid by people who are directly charged for the service (if any) and grants received by the Township that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3 below:

**Table 3**  
**Governmental Activities**

	<b>Total Cost Of Services 2007</b>	<b>Net Cost of Services 2007</b>	<b>Total Cost Of Services 2006</b>	<b>Net Cost of Services 2006</b>
General Government	\$416,287	(\$324,417)	\$288,060	(\$253,226)
Public Safety	97,517	(70,019)	93,331	(65,851)
Public Works	52,786	81,310	134,258	2,316
Health	7,857	(7,857)	9,149	(9,149)
Conservation & Recreation	4,000	(4,000)	4,000	(4,000)
Other	0	7,684	0	2,837
Capital Outlay	105,832	(105,832)	3,459	(3,459)
Debt Service - Principal & Interest	125,679	(125,679)	144,499	(144,499)
<b>Total Expenditures</b>	<b>\$809,958</b>	<b>(\$548,810)</b>	<b>\$676,756</b>	<b>(\$475,031)</b>

The Township's Funds

Total governmental funds had receipts of \$1,113,248 and disbursements of \$809,958. The Township experienced an increase in property tax receipts in 2007 as compared to 2006.

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 Year Ended December 31, 2007  
Unaudited

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For the year ended December 31, 2007, General Fund final actual receipts were not significantly different from final budgeted receipts. However, General Fund final actual disbursements were significantly below final budgeted expenditures, primarily due 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 and infrastructure.

Debt

At December 31, 2007, the Township's outstanding debt included \$250,000 in capital leases and \$1,740,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Note 9 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-Cash Basis  
December 31, 2007

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	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$871,680</u>
Total Assets	<u>871,680</u>
Net Assets:	
Restricted for:	
Debt Service	150,045
Capital Projects	835
Other Purposes	316,338
Unrestricted	<u>404,462</u>
Total Net Assets	<u>\$871,680</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Activities-Cash Basis  
For the Fiscal Year Ended December 31, 2007

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities:				
General Government	\$416,287	\$91,870	\$0	(\$324,417)
Public Safety	97,517	27,498	0	(70,019)
Public Works	52,786	0	134,096	81,310
Health	7,857	0	0	(7,857)
Conservation - Recreation	4,000	0	0	(4,000)
Other	0	7,684	0	7,684
Capital Outlay	105,832	0	0	(105,832)
Debt Service:				
Principal Retirement	65,000	0	0	(65,000)
Interest and Fiscal Charges	60,679	0	0	(60,679)
<b>Total Governmental Activities</b>	<b>\$809,958</b>	<b>\$127,052</b>	<b>\$134,096</b>	<b>(548,810)</b>

General Receipts:	
Property Taxes	407,291
Other Taxes	39,563
Grants and Entitlements not Restricted to Specific Programs	155,969
Earnings on Investments	24,289
Miscellaneous	224,988
<b>Total General Receipts</b>	<b>852,100</b>
Change in Net Assets	303,290
Net Assets Beginning of Year	568,390
<b>Net Assets End of Year</b>	<b>\$871,680</b>

See accompanying notes to the basic financial statements.

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Harrison Township, Hamilton County  
Statement of Assets and Fund Balances-Cash Basis  
Governmental Funds  
December 31, 2007

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Debt Service Reserve	TIF Debt Service
Assets:					
Equity in Pooled Cash and Investments	\$404,459	\$141,144	\$114,724	\$150,045	\$0
Total Assets	<u>404,459</u>	<u>141,144</u>	<u>114,724</u>	<u>150,045</u>	<u>0</u>
Unreserved, Undesignated, Reported in:					
General Fund	404,459	0	0	0	0
Special Revenue Funds	0	141,144	114,724	0	0
Debt Service Funds	0	0	0	150,045	0
Capital Projects Funds	0	0	0	0	0
Total Fund Balances	<u>\$404,459</u>	<u>\$141,144</u>	<u>\$114,724</u>	<u>\$150,045</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Misc. Capital Projects	Other Governmental Funds	Total Governmental Funds
\$835	\$60,473	\$871,680
835	60,473	871,680
0	0	404,459
0	60,473	316,341
0	0	150,045
835	0	835
\$835	\$60,473	\$871,680

Harrison Township, Hamilton County  
Statement of Receipts, Expenditures  
and Changes in Fund Balance-Cash Basis  
Governmental Funds  
For the Fiscal Year Ended December 31, 2007

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Debt Service Reserve	TIF Debt Service
Receipts:					
Property and Other Local Taxes	\$386,108	\$0	\$0	\$0	\$0
Charges for Services	91,870	0	0	0	0
Licenses, Permits and Fees	27,498	0	0	0	0
Fines and Forfeitures	7,684	0	0	0	0
Intergovernmental	193,726	91,710	41,292	0	0
Earnings on Investments	18,468	3,951	0	0	0
Miscellaneous	96,299	0	0	0	0
<b>Total Receipts</b>	<b>821,653</b>	<b>95,661</b>	<b>41,292</b>	<b>0</b>	<b>0</b>
Expenditures:					
Current:					
Instruction:					
General Government	415,619	0	0	0	0
Public Safety	97,517	0	0	0	0
Public Works	15,860	21,389	5,502	0	0
Health	7,857	0	0	0	0
Conservation - Recreation	4,000	0	0	0	0
Capital Outlay	102,488	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	65,000
Interest and Fiscal Charges	0	0	0	0	58,419
<b>Total Expenditures</b>	<b>643,341</b>	<b>21,389</b>	<b>5,502</b>	<b>0</b>	<b>123,419</b>
<b>Excess of Receipts Over (Under) Expenditures</b>	<b>178,312</b>	<b>74,272</b>	<b>35,790</b>	<b>0</b>	<b>(123,419)</b>
Other Financing Sources (Uses):					
Transfers In	0	0	0	0	123,419
Transfers (Out)	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>123,419</b>
<b>Net Change in Fund Balance</b>	<b>178,312</b>	<b>74,272</b>	<b>35,790</b>	<b>0</b>	<b>0</b>
<b>Fund Balance Beginning of Year</b>	<b>226,147</b>	<b>66,872</b>	<b>78,934</b>	<b>150,045</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$404,459</b>	<b>\$141,144</b>	<b>\$114,724</b>	<b>\$150,045</b>	<b>\$0</b>

See accompanying notes to the basic financial statements.

Misc. Capital Projects	Other Governmental Funds	Total Governmental Funds
\$0	\$21,519	\$407,627
0	0	91,870
0	0	27,498
0	0	7,684
0	2,564	329,292
1,870	0	24,289
63,067	65,622	224,988
64,937	89,705	1,113,248
0	668	416,287
0	0	97,517
0	10,035	52,786
0	0	7,857
0	0	4,000
3,344	0	105,832
0	0	65,000
2,260	0	60,679
5,604	10,703	809,958
59,333	79,002	303,290
0	0	123,419
(58,601)	(64,818)	(123,419)
(58,601)	(64,818)	0
732	14,184	303,290
103	46,289	568,390
\$835	\$60,473	\$871,680

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2007

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Revenues:</b>				
Property and Other Local Taxes	\$342,887	\$388,023	\$386,108	(\$1,915)
Charges for Services	35,829	91,870	91,870	0
Licenses, Permits and Fees	26,724	43,498	27,498	(16,000)
Fines and Forfeitures	5,000	8,000	7,684	(316)
Intergovernmental	153,221	198,021	193,726	(4,295)
Earnings on Investments	4,000	15,000	18,468	3,468
Miscellaneous	37,339	60,588	96,299	35,711
<b>Total Revenues</b>	<b>605,000</b>	<b>805,000</b>	<b>821,653</b>	<b>16,653</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General Government	539,200	509,200	415,619	93,581
Public Safety	116,000	116,000	97,517	18,483
Public Works	21,000	21,000	15,860	5,140
Health	19,800	19,800	7,857	11,943
Conservation - Recreation	9,000	9,000	4,000	5,000
Capital Outlay	11,000	116,000	102,488	13,512
<b>Debt Service:</b>				
Principal Retirement	1,000	1,000	0	1,000
Interest and Fiscal Charges	1,000	1,000	0	1,000
<b>Total Expenditures</b>	<b>718,000</b>	<b>793,000</b>	<b>643,341</b>	<b>149,659</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(113,000)</b>	<b>12,000</b>	<b>178,312</b>	<b>166,312</b>
<b>Other financing sources (uses):</b>				
Sale of Notes	1,000	1,000	0	(1,000)
Other Financing Sources	1,000	1,000	0	(1,000)
<b>Total Other Financing Sources (Uses)</b>	<b>2,000</b>	<b>2,000</b>	<b>0</b>	<b>(2,000)</b>
<b>Net Change in Fund Balance</b>	<b>(111,000)</b>	<b>14,000</b>	<b>178,312</b>	<b>164,312</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>226,147</b>	<b>226,147</b>	<b>226,147</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$115,147</b>	<b>\$240,147</b>	<b>\$404,459</b>	<b>\$164,312</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2007

	Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$92,000	\$92,000	\$91,710	(\$290)
Earnings on Investments	2,000	2,000	3,951	1,951
<b>Total Revenues</b>	<b>94,000</b>	<b>94,000</b>	<b>95,661</b>	<b>1,661</b>
Expenditures:				
Current:				
Instruction:				
Public Works	119,000	119,000	21,389	97,611
Capital Outlay	1,000	1,000	0	1,000
<b>Total Expenditures</b>	<b>120,000</b>	<b>120,000</b>	<b>21,389</b>	<b>98,611</b>
Net Change in Fund Balance	(26,000)	(26,000)	74,272	100,272
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	66,872	66,872	66,872	0
<b>Fund Balance End of Year</b>	<b>\$40,872</b>	<b>\$40,872</b>	<b>\$141,144</b>	<b>\$100,272</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2007

	Permissive Motor Vehicle License Tax			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$38,000	\$38,000	\$41,292	\$3,292
Earnings on Investments	4,066	4,066	0	(4,066)
Total Revenues	42,066	42,066	41,292	(774)
Expenditures:				
Current:				
Public Works	100,000	100,000	5,502	94,498
Total Expenditures	100,000	100,000	5,502	94,498
Net Change in Fund Balance	(57,934)	(57,934)	35,790	93,724
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	78,934	78,934	78,934	0
Fund Balance End of Year	\$21,000	\$21,000	\$114,724	\$93,724

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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**Note 1 - Reporting Entity**

Harrison Township, Hamilton County, Ohio (the Township), is a body politic and corporate established in 1850 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised solely of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges and cemetery maintenance. The Township contracts with the City of Harrison for fire protection. Police protection is provided by the Hamilton County Sheriff's Department.

**B. Component Unit**

The Township has no component units.

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

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

**Jointly Governed Organization:**

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

**Public Entity Risk Pool:**

*Ohio Township Association Risk Management Authority (OTARMA)* – This organization provides property and casualty coverage to the Township. OTARMA is a member of the American Public Entity Excess Pool (APEEP). This organization is discussed in Notes 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 Year Ended December 31, 2007

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

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

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Township has only three funds that are classified as nonmajor funds.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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**B. Fund Accounting**

The Township uses fund accounting to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Funds are used to segregate resources that are restricted as to use. The Township only has one category of funds, which is governmental.

**Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants) and other non-exchange transactions as governmental funds. The Township's major governmental funds are the General Fund, Permissive Motor Vehicle License Tax Fund, Gasoline Tax Fund, TIF Debt Service Reserve Fund, TIF Debt Service Fund, and the Miscellaneous Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township has three funds that are classified as nonmajor funds.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**D. Budgetary Process**

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

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

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2007, the Township had investments in money market mutual funds and STAR Ohio.

The Township’s money market mutual fund investment is recorded at the amount reported by Key Bank on December 31, 2007.

STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio’s share price, which is the price the investment could be sold for on December 31, 2007.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2007 was \$18,468 and interest receipts credited to other funds was \$5,821.

**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 2007.

**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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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**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 \$467,219 in restricted net assets, none were restricted by enabling legislation.

**L. Fund Balance Reserves**

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2007, 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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivables or payables (cash basis). In 2007, the Township had no advances between funds.

**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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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;
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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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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 \$18,065. Of the bank balance, \$18,065 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 \$25,000 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.

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, 2007, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Money Market Funds	\$852,777	0.00
STAR Ohio	835	0.11
	<u>\$853,612</u>	
Portfolio Weighted Average Maturity		0.00

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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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."

**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 2007 represent the collection of 2006 taxes. Real property taxes received in 2007 were levied after October 1, 2006, on the assessed values as of January 1, 2006, 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 2007 represent the collection of 2006 taxes. Public utility real and tangible personal property taxes received in 2006 became a lien on December 31, 2005, were levied after October 1, 2006, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2007 (other than public utility property) represent the collection of 2006 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of December 31, 2006. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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The tangible personal property tax is being phased out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

The full tax rate for all Township operations for the year ended December 31, 2007, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2007 property tax receipts were based are as follows:

Real Property	\$95,013,510
Public Utility Property	4,448,030
Tangible Personal Property	7,634,390
	<u>\$107,095,930</u>

**Note 6 – Risk Management**

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

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

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

**Casualty Coverage**

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. 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 \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

If losses exhaust PEP’s retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

**Property Coverage**

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

**HARRISON TOWNSHIP  
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Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

Beginning in 2005, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. This amount increased to \$300,000 in 2007. For 2007, APEEP reinsures members for specific losses exceeding \$100,000 up to \$300,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$300,000 in 2007, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

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 government.

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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets	\$43,210,703	\$42,042,275
Liabilities	<u>(13,357,837)</u>	<u>(12,120,661)</u>
Net Assets	<u>\$29,852,866</u>	<u>\$29,921,614</u>

At December 31, 2007 and 2006, respectively, liabilities above include approximately \$12.5 million and \$11.3 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$11.6 million and \$10.8 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2007 and 2006, 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 \$10,037. 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>Contributions to OTARMA</u>	
2005	\$11,888
2006	\$12,205
2007	\$10,678

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 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**

All full-time employees, other than non-administrative full-time police officers and firefighters, participate in the Ohio Public Employees Retirement System (OPERS), a cost-sharing multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-6701 or 800-222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

Members have a choice of 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 percent per year). Under the MD Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon. The CO Plan is a cost-sharing multiple-employer defined benefit pension plan. Under the CO Plan employer contributions are invested by the retirement system 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.

Plan members are required to contribute 9.5 percent of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Township is 13.85 percent of covered payroll. Contributions are authorized by State statute. The contribution rates are determined actuarially. The Township's required contributions to OPERS for the years ended December 31, 2007, 2006 and 2005 were \$9,542, \$12,163, and \$11,700, respectively. The full amount has been contributed for 2007, 2006 and 2005.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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**Note 8 – Postemployment 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 card 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, attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2007, the Township contributed at 13.85% 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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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. For 2007, the employer contribution allocated to the health care plan from January 1 through June 30, 2007 and July 1 through December 31, 2007 was 5.0% and 6.0% of covered payroll, respectively. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, 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 Township's actual contributions for the current year, which were used to fund postemployment benefits, were \$1,722 for the period of January 1 through June 30, 2007 and were \$2,067 for the period of July 1 through December 31, 2007, \$3,995 for December 31, 2006 and \$3,454 for December 31, 2005.

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, will be effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008 which allowed additional funds to be allocated to the health care plan.

Other Information

At December 31, 2007, the number of active contributing participants in the Traditional and Combined Plans totaled 374,979. The number of active contributing participants for both plans used in the December 31, 2006 actuarial valuation was 362,130.

The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, (the latest information available) were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

**Note 9- Debt**

The Township's long-term debt activity for the year ended December 31, 2007, was as follows:

			Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
<u>Bonds Payable</u>							
Variable Rate TIF Revenue	Variable		\$1,805,000	\$0	\$65,000	\$1,740,000	\$70,000
Capital Leases			0	250,000	0	250,000	20,478
Total Long-Term Debt			<u>\$1,805,000</u>	<u>\$250,000</u>	<u>\$65,000</u>	<u>\$1,990,000</u>	<u>\$90,478</u>

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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

Years	Principal	Interest	Total
2008	\$70,000	\$69,600	\$139,600
2009	70,000	66,800	136,800
2010	75,000	64,000	139,000
2011	80,000	61,000	141,000
2012	80,000	57,800	137,800
2013-2017	475,000	237,000	712,000
2018-2022	605,000	132,000	737,000
2023-2024	285,000	17,200	302,200
Totals	<u>\$1,740,000</u>	<u>\$705,400</u>	<u>\$2,445,400</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. During 2007 the developer paid approximately \$9,000 in TIF bond interest. 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 - Leases**

**CAPITAL LEASES**

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

The Township's lease meet the criteria of capital lease as defined by statement of Financial Accounting Standards No. 13 "Accounting for Leases", which defines a capital lease generally as one that transfers benefits and risks of ownership to the lessee. Capital lease payments will be made from the General Fund.

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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

Fiscal Year Ending December 31,	Long-Term Debt
2008	\$32,359
2009	32,359
2010	32,359
2011	32,359
2012	32,359
2013-2017	161,795
Total Payments	323,590
Less: Interest	(73,590)
Present Value of Minimum Lease Payments	\$250,000

**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 2007 the following transfers were made:

	Transfer In	Transfer Out
TIF Debt Service	\$123,420	\$0
Misc. Capital Projects	0	58,602
Other Governmental Funds	0	64,818
Total Transfers in All Funds	\$123,420	\$123,420

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2007

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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.

**Note 14 – Compliance**

The Township did not certify the availability of funds for some commitments. The Township had appropriations that exceeded estimated resources for three TIF funds. The Township did not comply with some of the debt covenants of the TIF. The Township did not code several revenue sources to the correct account number in the General Fund.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township  
Hamilton County  
300 George Street  
Harrison, Ohio 45030

To the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio (the Township), as of and for the year ended December 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township processes its financial transactions with the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to audit the Township because the Auditor of State designed, developed, implemented, and as requested, operates the UAN. However, *Government Auditing Standards* permits the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio, as of December 31, 2006, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Permissive Motor Vehicle License Tax Fund, and Gasoline Tax Fund thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2008, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

October 9, 2008

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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This discussion and analysis of the financial performance of Harrison Township, Hamilton County, Ohio (the Township), provides an overall review of the Township's financial activities for the year ended December 31, 2006, within the limitations of the Township's use of cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2006 are as follows:

- Net assets of governmental activities increased by \$89,970 or 19%, representing a modest change from the prior year. The fund most affected by the increase in net assets was the General Fund, which experienced an increase in property tax receipts in 2006 as compared to 2005.
- The Township's most significant sources of receipts are property taxes and other local taxes and intergovernmental revenues, which include local government funds. These receipts represent approximately 65% of the total governmental activities receipts. Property taxes for 2006 increased modestly compared to 2005.

**Using the Basic Financial Statements**

This annual report is presented in a format consistent with the presentation requirements of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments*", as applicable to the cash basis of accounting.

**Report Components**

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

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

The notes to the basic financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanations and details regarding the information reported in the financial statements.

**Basis of Accounting**

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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

**Reporting the Township as a Whole**

The Statement of Net Assets and the Statement of Activities reflect how the Township did financially during 2006, within the limitations of use of cash basis accounting. The Statement of Net Assets presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include (where applicable) charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Township's general receipts.

These statements report the Township's cash position and the changes in cash position. Keeping in mind the limitations of the cash basis of accounting, you can think of these changes as one way to measure the Township's financial health. Over time, increases or decreases in the Township's cash position is one indicator of whether the Township's financial health is improving or deteriorating. When evaluating the Township's financial condition, you should also consider other nonfinancial factors as well such as the Township's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations, and the need for continued growth in the major local revenue sources such as property taxes.

In the Statement of Net Assets and the Statement of Activities, the Township has only governmental activities. The Township's basic services are reported here, including safety services, community center operations and cemetery maintenance. Property taxes and local government funds finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

**Reporting the Township's Most Significant Funds**

Fund financial statements provide detailed information about the Township's major funds, not about the Township as a whole. The Township has established separate funds to better manage its many activities and to help demonstrate that money that is restricted as to how it may be used is being spent for the intended purpose.

All of the Township's activities are reported in governmental funds. The governmental fund financial statements provide a detailed view of the Township's governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent to finance the Township's programs. The Township's significant governmental funds are presented on the financial statements in separate columns. The information for 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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**The Township as a Whole**

Table 1 below provides a summary of the Township's net assets for 2006 compared to 2005 on a cash basis:

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

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Equity in Pooled Cash and Cash Equivalents	\$568,390	\$478,420
<b>Total Assets</b>	<b>568,390</b>	<b>478,420</b>
 <b>Net Assets</b>		
Restricted for:		
Debt Service	150,045	150,045
Capital Projects	103	45,896
Other Purposes	192,094	222,411
Unrestricted	226,148	60,068
<b>Total Net Assets</b>	<b>\$568,390</b>	<b>\$478,420</b>

As mentioned previously, net assets of governmental activities increased by \$89,970 or 19% during 2006. The primary reason for the increase in net assets was due to an increase in property tax receipts.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Table 2 below reflects the changes in net assets in 2006.

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

	<b>Governmental Activities</b>	
	<b>2006</b>	<b>2005</b>
<b>Receipts</b>		
Program Receipts:		
Charges for Services and Sales	\$65,151	\$0
Operating Grants and Contributions	136,574	112,124
<b>Total Program Receipts</b>	<b>201,725</b>	<b>112,124</b>
General Receipts:		
Property Taxes Levied for General Purposes	365,715	338,971
Other Local Taxes	40,127	39,530
Grants and Entitlements Not Restricted to Specific Programs	133,481	70,164
Earnings on Investments	16,128	27,027
Miscellaneous	9,550	97,053
<b>Total General Receipts</b>	<b>565,001</b>	<b>572,745</b>
<b>Total Receipts</b>	<b>766,726</b>	<b>684,869</b>
<b>Disbursements</b>		
General Government	288,060	312,419
Public Safety	93,331	147,376
Public Works	134,258	74,093
Health	9,149	10,893
Conservation & Recreation	4,000	0
Capital Outlay	3,459	1,434,443
Debt Service (principal & interest)	144,499	98,867
<b>Total Disbursements</b>	<b>676,756</b>	<b>2,078,091</b>
<b>Change in Net Assets</b>	<b>89,970</b>	<b>(1,393,222)</b>
<b>Net Assets, January 1</b>	<b>478,420</b>	<b>1,871,642</b>
<b>Net Assets, December 31</b>	<b>\$568,390</b>	<b>\$478,420</b>

Program receipts represent only 26% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax monies.

General receipts represent 74% of total receipts and approximately 65% of those receipts are property and other local taxes. Grants and entitlements make up 24% 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 expenditures are the costs associated with the start of construction of the Southwest Parkway that was financed with the issuance of bonds.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

Property Taxes increased mainly due to an increase in property tax receipts in 2006 as compared to 2005. Grants and Entitlements increased mainly due to an increase in grant monies in 2006 as compared to 2005. Total Expenditures decreased mainly due to a decrease in capital outlay. The decrease in capital outlay was due to the Township spending money constructing Southwest Parkway Road in 2005.

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 and public works, which account for 43%, and 20% of all governmental disbursements, respectively. The next column of the statement entitled program receipts identifies amounts paid by people who are directly charged for the service (if any) and grants received by the Township that must be used to provide a specific service. The net receipt (disbursement) column compares the program receipts to the cost of the service. This "net cost" amount represents the cost of the service which ends up being paid from money provided by local taxpayers. These net costs are paid from the general receipts which are presented at the bottom of the statement. A comparison between the total cost of services and the net cost is presented in Table 3 below:

**Table 3  
Governmental Activities**

	<b>Total Cost of Services 2006</b>	<b>Net Cost of Services 2006</b>	<b>Total Cost of Services 2005</b>	<b>Net Cost of Services 2005</b>
General Government	\$288,060	(\$253,226)	\$312,419	(\$312,419)
Public Safety	93,331	(65,851)	147,376	(147,376)
Public Works	134,258	2,316	74,093	38,032
Health	9,149	(9,149)	10,893	(10,893)
Conservation & Recreation	4,000	(4,000)	0	0
Other	0	2,837	0	0
Capital Outlay	3,459	(3,459)	1,434,443	(1,434,443)
Debt Service (principal & interest)	144,499	(144,499)	98,867	(98,867)
<b>Total Expenditures</b>	<b>\$676,756</b>	<b>(\$475,031)</b>	<b>\$2,078,091</b>	<b>(\$1,965,966)</b>

The Township's Funds

Total governmental funds had receipts of \$766,726 and disbursements of \$676,756. The greatest change within governmental funds occurred within the General Fund. The General Fund experienced an increase in property tax receipts in 2006 as compared to 2005.

General Fund Budgeting Highlights

The Township's budget is prepared according to Ohio law and is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

For the year ended December 31, 2006, General Fund final actual receipts were not significantly different from final budgeted receipts. However, General Fund final actual disbursements were significantly below final budgeted expenditures, primarily due to a variance in general government and public safety expenditures.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Management's Discussion and Analysis  
For the Year Ended December 31, 2006  
Unaudited

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**Capital Assets and Debt Administration**

Capital Assets

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

Debt

At December 31, 2006, the Township's outstanding debt included \$1,805,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Note 9 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-Cash Basis  
December 31, 2006

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	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$568,390</u>
Total Assets	<u>568,390</u>
Net Assets:	
Restricted for:	
Debt Service	150,045
Capital Projects	103
Other Purposes	192,094
Unrestricted	<u>226,148</u>
Total Net Assets	<u>\$568,390</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Activities-Cash Basis  
For the Fiscal Year Ended December 31, 2006

	Cash Disbursements	Program Cash Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Total
Governmental Activities:				
General Government	\$288,060	\$34,834	\$0	(\$253,226)
Public Safety	93,331	27,480	0	(65,851)
Public Works	134,258	0	136,574	2,316
Health	9,149	0	0	(9,149)
Conservation - Recreation	4,000	0	0	(4,000)
Other	0	2,837	0	2,837
Capital Outlay	3,459	0	0	(3,459)
Debt Service:				
Principal Retirement	96,000	0	0	(96,000)
Interest and Fiscal Charges	48,499	0	0	(48,499)
<b>Total Governmental Activities</b>	<b>\$676,756</b>	<b>\$65,151</b>	<b>\$136,574</b>	<b>(475,031)</b>

General Receipts:	
Property Taxes	365,715
Other Taxes	40,127
Grants and Entitlements not Restricted to Specific Programs	133,481
Earnings on Investments	16,128
Miscellaneous	9,550
<b>Total General Receipts</b>	<b>565,001</b>
Change in Net Assets	89,970
Net Assets Beginning of Year	478,420
<b>Net Assets End of Year</b>	<b>\$568,390</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Assets and Fund Balances-Cash Basis  
Governmental Funds  
December 31, 2006

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Debt Service Reserve	Misc. Capital Projects	Other Governmental Fund	Total Governmental Funds
Assets:							
Equity in Pooled Cash and Investments	\$226,147	\$66,872	\$78,934	\$150,045	\$103	\$46,289	\$568,390
Total Assets	226,147	66,872	78,934	150,045	103	46,289	568,390
Unreserved, Undesignated, Reported in:							
General Fund	226,147	0	0	0	0	0	226,147
Special Revenue Funds	0	66,872	78,934	0	0	46,289	192,095
Debt Service Funds	0	0	0	150,045	0	0	150,045
Capital Projects Funds	0	0	0	0	103	0	103
Total Fund Balances	226,147	66,872	78,934	150,045	103	46,289	568,390
Total Fund Balances	\$226,147	\$66,872	\$78,934	\$150,045	\$103	\$46,289	\$568,390

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Expenditures  
and Changes in Fund Balance-Cash Basis  
Governmental Funds  
For the Fiscal Year Ended December 31, 2006

	General	Gasoline Tax	Permissive Motor Vehicle License Tax	TIF Debt Service Reserve	Misc. Capital Projects	Other Governmental Fund	Total Governmental Funds
<b>Receipts:</b>							
Property and Other Local Taxes	\$346,778	\$0	\$0	\$0	\$0	\$19,347	\$366,125
Charges for Services	34,833	0	0	0	0	0	34,833
Licenses, Permits and Fees	27,480	0	0	0	0	0	27,480
Fines and Forfeitures	2,837	0	0	0	0	0	2,837
Intergovernmental	171,337	90,227	45,199	0	0	3,009	309,772
Earnings on Investments	4,163	1,190	9,516	0	1,260	0	16,129
Miscellaneous	9,550	0	0	0	0	0	9,550
<b>Total Receipts</b>	<b>596,978</b>	<b>91,417</b>	<b>54,715</b>	<b>0</b>	<b>1,260</b>	<b>22,356</b>	<b>766,726</b>
<b>Expenditures:</b>							
<b>Current:</b>							
General Government	288,060	0	0	0	0	0	288,060
Public Safety	93,331	0	0	0	0	0	93,331
Public Works	15,454	87,366	4,868	0	0	26,570	134,258
Health	9,149	0	0	0	0	0	9,149
Conservation - Recreation	4,000	0	0	0	0	0	4,000
Capital Outlay	0	0	0	0	3,459	0	3,459
<b>Debt Service:</b>							
Principal Retirement	16,000	0	80,000	0	0	0	96,000
Interest and Fiscal Charges	4,905	0	0	0	43,594	0	48,499
<b>Total Expenditures</b>	<b>430,899</b>	<b>87,366</b>	<b>84,868</b>	<b>0</b>	<b>47,053</b>	<b>26,570</b>	<b>676,756</b>
<b>Net Change in Fund Balance</b>	<b>166,079</b>	<b>4,051</b>	<b>(30,153)</b>	<b>0</b>	<b>(45,793)</b>	<b>(4,214)</b>	<b>89,970</b>
<b>Fund Balance Beginning of Year</b>	<b>60,068</b>	<b>62,821</b>	<b>109,087</b>	<b>150,045</b>	<b>45,896</b>	<b>50,503</b>	<b>478,420</b>
<b>Fund Balance End of Year</b>	<b>\$226,147</b>	<b>\$66,872</b>	<b>\$78,934</b>	<b>\$150,045</b>	<b>\$103</b>	<b>\$46,289</b>	<b>\$568,390</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property and Other Local Taxes	\$339,529	\$339,529	\$346,778	\$7,249
Charges for Services	34,833	34,833	34,833	0
Licenses, Permits and Fees	27,480	27,480	27,480	0
Fines and Forfeitures	5,000	5,000	2,837	(2,163)
Intergovernmental	140,518	140,518	171,337	30,819
Earnings on Investments	4,000	4,000	4,163	163
Miscellaneous	9,640	9,640	9,550	(90)
<b>Total Revenues</b>	<b>561,000</b>	<b>561,000</b>	<b>596,978</b>	<b>35,978</b>
Expenditures:				
Current:				
General Government	404,200	387,200	288,060	99,140
Public Safety	96,000	110,000	93,331	16,669
Public Works	15,000	18,000	15,454	2,546
Health	19,800	19,800	9,149	10,651
Conservation - Recreation	8,000	8,000	4,000	4,000
Capital Outlay	11,000	11,000	0	11,000
Debt Service:				
Principal Retirement	18,000	18,000	16,000	2,000
Interest and Fiscal Charges	8,000	8,000	4,905	3,095
<b>Total Expenditures</b>	<b>580,000</b>	<b>580,000</b>	<b>430,899</b>	<b>149,101</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(19,000)</b>	<b>(19,000)</b>	<b>166,079</b>	<b>185,079</b>
Other financing sources (uses):				
Sale of Notes	35,000	35,000	0	(35,000)
Other Financing Sources	1,000	1,000	0	(1,000)
<b>Total Other Financing Sources (Uses)</b>	<b>36,000</b>	<b>36,000</b>	<b>0</b>	<b>(36,000)</b>
<b>Net Change in Fund Balance</b>	<b>17,000</b>	<b>17,000</b>	<b>166,079</b>	<b>149,079</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>60,068</b>	<b>60,068</b>	<b>60,068</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$77,068</b>	<b>\$77,068</b>	<b>\$226,147</b>	<b>\$149,079</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2006

	Gasoline Tax Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$75,000	\$75,000	\$90,227	\$15,227
Earnings on Investments	1,000	1,000	1,190	190
Total Revenues	<u>76,000</u>	<u>76,000</u>	<u>91,417</u>	<u>15,417</u>
Expenditures:				
Current:				
Instruction:				
Public Works	84,000	124,000	87,366	36,634
Capital Outlay	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>85,000</u>	<u>125,000</u>	<u>87,366</u>	<u>37,634</u>
Net Change in Fund Balance	(9,000)	(49,000)	4,051	53,051
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	<u>62,821</u>	<u>62,821</u>	<u>62,821</u>	<u>0</u>
Fund Balance End of Year	<u>\$53,821</u>	<u>\$13,821</u>	<u>\$66,872</u>	<u>\$53,051</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2006

	Permissive Motor Vehicle License Tax			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Intergovernmental	\$38,853	\$38,853	\$45,199	\$6,346
Earnings on Investments	5,000	5,000	9,516	4,516
Total Revenues	43,853	43,853	54,715	10,862
Expenditures:				
Current:				
Public Works	98,853	18,853	4,868	13,985
Debt Service:				
Principal Retirement	0	80,000	80,000	0
Total Expenditures	98,853	98,853	84,868	13,985
Net Change in Fund Balance	(55,000)	(55,000)	(30,153)	24,847
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	109,087	109,087	109,087	0
Fund Balance End of Year	\$54,087	\$54,087	\$78,934	\$24,847

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 1 - Reporting Entity**

Harrison Township, Hamilton County, Ohio (the Township), is a body politic and corporate established in 1850 to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly elected three-member Board of Trustees. The Township also has an elected Fiscal Officer.

The reporting entity is comprised solely of the primary government.

**A. Primary Government**

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township. The Township provides general government services, maintenance of Township roads and bridges and cemetery maintenance. The Township contracts with the City of Harrison for fire protection. Police protection is provided by the Hamilton County Sheriff's Department.

**B. Component Unit**

The Township has no component units.

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

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

Jointly Governed Organization:

*Harrison Township/City of Hamilton Joint Economic Development District* – This organization is the result of an agreement between the Township and the City of Harrison and is discussed in Note 11 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 10 to the financial statements.

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

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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

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

**A. Basis of Presentation**

The Township's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**Government-Wide Financial Statements**

The statement of net assets and the statement of activities display information about the Township as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the Township that are governmental and those that are considered business-type. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. The Township has no business-type activities.

The statement of net assets presents the cash balances of the governmental activities of the Township at year end. The statement of activities compares disbursements with program receipts for each of the Township's governmental activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the Township is responsible. Program receipts include grants and contributions restricted to meeting the operational or capital requirements of a particular program and receipts of interest earned on grants that is required to be used to support a particular program. General receipts are all receipts not classified as program receipts, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental function is self-financing on a cash basis or draws from the Township's general receipts.

**Fund Financial Statements**

During the year, the Township segregates transactions related to certain Township functions or activities in separate funds to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Township at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The Township has only two funds that are classified as non major funds.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**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 Debt Service Reserve Fund, and the Miscellaneous Capital Projects Fund. The General Fund is used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the Township for any purpose provided it is expended or transferred according to the general laws of Ohio.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose. The Township has two funds that are classified as nonmajor funds.

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

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

**D. Budgetary Process**

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

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

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Township during the year.

**E. Cash and Investments**

To improve cash management, cash received by the Township is pooled and invested. Individual fund integrity is maintained through Township records. Interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents".

During 2006, the Township had investments in money market funds and STAR Ohio.

The Township's money market mutual fund investment is recorded at the amount reported by Key Bank on December 31, 2006.

STAR Ohio is an investment pool, managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2006.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2006 was \$4,163 and interest receipts credited to other funds was \$11,966.

**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 2006.

**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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**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 \$342,242 in restricted net assets, none were restricted by enabling legislation.

**L. Fund Balance Reserves**

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

**M. Interfund Transactions**

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2006, 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. In 2006, the Township had no interfund transfers.

**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 is prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as a reservation of fund balance (cash basis) and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivables or payables (cash basis). In 2006, the Township had no advances between funds.

**Note 4 – Deposits and Investments**

Monies held by the Township are classified by State statute into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the Township treasury. Active monies must be maintained either as cash in the Township treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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;
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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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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 \$37,043. Of the bank balance, \$37,043 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 \$49,334 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.

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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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Investments

As of December 31, 2006, the Township had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Money Market Funds	\$531,212	0.00
STAR Ohio	103	0.11
	\$531,315	
Portfolio Weighted Average Maturity		0.00

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."

**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 2006 represent the collection of 2005 taxes. Real property taxes received in 2006 were levied after October 1, 2005, on the assessed values as of January 1, 2005, 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.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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Public utility property tax receipts received in 2006 represent the collection of 2005 taxes. Public utility real and tangible personal property taxes received in 2005 became a lien on December 31, 2004, were levied after October 1, 2005, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax receipts received in 2006 (other than public utility property) represent the collection of 2005 taxes. Tangible personal property taxes received in 2005 were levied after October 1, 2005, on the true value as of December 31, 2005. Tangible personal property is currently assessed at 25 percent of true value for capital assets and 23 percent for inventory. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The tangible personal property tax is being phased out over a four-year period starting with tax year 2006 and ending in 2009. This phase-out applies to most businesses and includes furniture and fixtures, machinery and equipment and inventory. New manufacturing machinery and equipment first reported on the 2006 and subsequent year returns is not subject to the personal property tax.

The full tax rate for all Township operations for the year ended December 31, 2006, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2006 property tax receipts were based are as follows:

Real Property	\$93,253,210
Public Utility Property	4,627,240
Tangible Personal Property	9,114,120
Total Assessed Value	<u><u>\$106,994,570</u></u>

**Note 6 – Risk Management**

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

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

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

**Casualty Coverage**

For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence. 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 \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with OTARMA.

**HARRISON TOWNSHIP  
HAMILTON COUNTY**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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If losses exhaust PEP's retained earnings, APEEP provides *excess of funds available* coverage up to \$5,000,000 per year, subject to a per-claim limit of \$3,000,000.

Property Coverage

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

Beginning in 2005 and continuing in 2006, Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. For 2006, APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000 in 2006, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2006 was \$1,901,127.

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 government.

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, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Assets	\$42,042,275	\$39,663,434
Liabilities	<u>(12,120,661)</u>	<u>(13,750,607)</u>
Net Assets	<u>\$29,921,614</u>	<u>\$25,912,827</u>

At December 31, 2006 and 2005, respectively, liabilities above include approximately \$10.8 million and \$11.6 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$10.8 million and \$11.6 million of unpaid claims to be billed to approximately 950 member governments in the future, as of December 31, 2006 and 2005, 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 \$11,472. 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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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<b><u>Contributions to OTARMA</u></b>	
2004	\$11,452
2005	\$11,888
2006	\$12,205

After completing one year of membership, members may withdraw on each anniversary of the date they joined OTARMA provided they 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 budgetary contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

**Note 7 – Defined Benefit Pension Plan**

**A. Ohio Public Employees Retirement System**

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

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

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

For the year ended December 31, 2006, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 9.0 percent of their annual covered salaries. The Township's contribution rate for pension benefits for 2006 was 13.70 percent. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2006, 2005, and 2004 were \$12,163, \$11,700 and \$11,452 respectively. The full amount has been contributed for 2006, 2005 and 2004.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 8 – Postemployment Benefits**

**A. Ohio Public Employees Retirement System**

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by OPERS is considered an Other Postemployment Benefit as described in GASB Statement No. 12, “Disclosure of Information on Postemployment Benefits Other than Pension Benefits by State and Local Government Employers”. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2006 local government employer contribution rate was 13.70 percent of covered payroll; 4.50 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2006, include a rate of return on investments of 6.50 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 0.50 and 5.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was \$374,979. Actual employer contributions for 2006 which were used to fund postemployment benefits were \$3,995. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2006, were \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$30.7 billion and \$18.7 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to increasing health care costs. Member and employer contribution rates increased as of January 1, 2006 and January 1, 2007 which allowed additional funds to be allocated to the health care plan.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**Note 9 – Debt**

The Township’s long-term debt activity for the year ended December 31, 2006, was as follows:

		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
<u>Bonds Payable</u>						
Township Building Notes	5.10%	\$96,000	\$0	\$96,000	\$0	\$0
Variable Rate TIF Revenue	Variable	1,865,000	0	60,000	1,805,000	65,000
Total Long-Term Debt		<u>\$1,961,000</u>	<u>\$0</u>	<u>\$156,000</u>	<u>\$1,805,000</u>	<u>\$65,000</u>

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

Year Ending December 31,	Principal	Interest	Total
2007	\$65,000	\$72,200	\$137,200
2008	70,000	69,600	139,600
2009	70,000	66,800	136,800
2010	75,000	64,000	139,000
2011	80,000	61,000	141,000
2012-2016	450,000	255,000	705,000
2017-2021	575,000	155,000	730,000
2022-2024	420,000	34,000	454,000
Totals	<u>\$1,805,000</u>	<u>\$777,600</u>	<u>\$2,582,600</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. During 2006 the developer retired \$60,000 in TIF bond principal and paid approximately \$22,000 in TIF bond interest. 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.

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

**Note 10 – 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 11 – 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 12 – Prior Period Adjustment**

A prior period adjustment was required to reclassify the fund balance from the General Bond (Note) Retirement Fund to the TIF Debt Service Reserve Fund.

A prior period adjustment was also made to split out the Motor Vehicle License Tax Fund from the Permissive Motor Vehicle License Tax Fund. These funds were combined together. The Motor Vehicle License Tax Fund is reported in Other Governmental funds since it is not a major fund.

These adjustments had the following effect on fund balances at December 31, 2005:

	General Bond (Note) Retirement	TIF Debt Service Reserve
Ending Fund Balances, December 31, 2005	\$150,045	\$0
Adjustment of fund balances	(150,045)	150,045
Restated Beginning Fund Balance, January 1, 2006	\$0	\$150,045
	Permissive Motor Vehicle License Tax	Other Governmental Funds
Ending Fund Balances, December 31, 2005	\$112,376	\$0
Reclass of fund balance	(3,289)	3,289
Restated Beginning Fund Balance, January 1, 2006	\$109,087	\$3,289

**HARRISON TOWNSHIP**  
**HAMILTON COUNTY**  
Notes to the Basic Financial Statements  
For the Year Ended December 31, 2006

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**Note 13 – Compliance**

The Township did not certify the availability of funds for some commitments. The Township did not obtain an amended certificate of estimated resources during the year. The Township did not comply with some of the debt covenants of the TIF. The Township did not code several revenue sources to the correct account number in the General Fund.



# Mary Taylor, CPA

Auditor of State

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

Harrison Township  
Hamilton County  
300 George St.  
Harrison, Ohio, 45030

To the Board of Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Hamilton County, Ohio (the Township), as of and for the years ended December 31, 2007 and 2006 which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 9, 2008, in which we noted the Township uses the Auditor of State's Uniform Accounting Network (UAN) to process its financial transactions. *Government Auditing Standards* considers this service to impair the Auditor of State's independence to audit the Township. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider significant deficiencies.

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.

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2007-005 and 2007-006.

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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also material weaknesses. However, the significant deficiency described above, finding number 2007-005, we believe is also a material weakness.

We also noted a certain internal control matters that we reported to the Township's management in a separate letter dated October 9, 2008.

### **Compliance and Other Matters**

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2007-001 through 2007-006.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated October 9, 2008.

The Township's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Government's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of the management and board of trustees. We intend it for no one other than these specified parties.



**Mary Taylor, CPA**  
Auditor of State

October 9, 2008

HARRISON TOWNSHIP  
HAMILTON COUNTY

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006 and 2007

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

FINDING NUMBER 2007-001

**Material Noncompliance**

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

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

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

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

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

The Township did not certify the availability of funds for 76% and 84% of the Township's expenditures tested for 2007 and 2006 respectively, nor did the Township use the aforementioned exceptions. The Township should make every effort to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending the Township's funds.

**FINDING NUMBER 2007-001  
 (Continued)**

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

We recommend the Township certify purchases to which section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language 5705.41 (D) requires to authorize disbursements. The fiscal officer should sign the certification at the time the Township incurs a commitment, and only when the requirements of 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

**Officials' Response:**

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

**FINDING NUMBER 2007-002**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.36(A)(4)**, states that upon a determination by the fiscal officer of a subdivision that the revenue to be collected by the subdivision will be less than the amount included in an official certificate and that the amount of the deficiency will reduce available resources below the level of current appropriations, the fiscal officer shall certify the amount of the deficiency to the commission, and the commission shall certify an amended certificate reflecting the deficiency.

At December 31, 2006, the Township had estimated receipts that exceeded actual receipts and the deficiency reduced available resources below the current level of appropriations in several funds.

Fund-Year	Available Resources plus Beginning Cash Fund Balance	Current Year Appropriations plus Prior Year Carryover Appropriations	Deficiency
Misc TIF Debt Service 2006	\$0	\$10,000	\$10,000
Misc Capital Projects 2006	47,156	48,000	844

Failure to monitor budgetary activity could result in overspending and negative fund balances. We recommend that the Township comply with the above Ohio Revised Code Section and obtain an amended certificate when necessary.

**Officials' Response:**

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

**FINDING NUMBER 2007-003**

**Material Noncompliance**

**Ohio Rev. Code, Section 5705.41(B)**, provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Township had expenditures that exceeded appropriations at December 31, 2007, in the following funds:

Fund-Year	Appropriation Amount	Disbursement Amount	Variance
General Bond Retirement Fund 2007	\$101,000	\$123,420	(\$22,420)
Miscellaneous Debt Service Fund 2007	41,000	65,486	(24,486)
Misc. Capital Projects Fund 2007	63,000	64,205	(1,205)

We recommend that the Township monitor budgetary activity and obtain supplemental appropriations throughout the year to mitigate negative variances.

**Officials' Response:**

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

**FINDING NUMBER 2007-004**

**Material Noncompliance**

**Section 3 of the April 7, 2004 Tax Incentive Agreement** requires that, "Within 10 days after the Township receives any semi-annual tax settlement from the County Auditor, which includes Service Payments in Lieu of Taxes with respect to the Exempted Property, the Township shall pay to the School District the amount of the Tax Incentive Financing (TIF) Compensation." The Township received the first semi-annual tax settlement in relation to the exempt property in October 2007. In June 2008 the Township made payment to the school district for TIF compensation related to the second half of 2007 and first half of 2008 in the amounts of \$8,659.73 and \$14,472.97, respectively.

We recommend the Township remit payments in lieu of taxes to the school district within the time requirements of the Tax Incentive Agreement. Section 5 of the same agreement provides that any late TIF Compensation payments shall bear interest at the then current rate established under Sections 323.121(B)(1) and 5703.47 of the Ohio Revised Code.

**Officials' Response:**

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

**FINDING NUMBER 2007-005**

**Material Noncompliance/Material Weakness**

**Harrison Township Resolution 06-23-2004A**, under Ohio Rev Code Section 5709.73, authorizes the Township to issue variable rate Tax Incremental Financing Revenue Bonds. To properly account for Tax Incentive Financing (TIF) activity under Section 6 and Section 7 of this Resolution the Township must establish the following:

- a Bond account to make debt service payments related to the TIF,
- a TIF Debt Service Reserve Fund to hold the reserve set aside with the trustee to cover one-years debt service,
- a project fund to account for the capital expenditures to complete the TIF project,
- a Special Revenue Dry Fork Farm TIF Equivalent Fund to receipt semi-annual TIF Service Payments.

Furthermore, the Township must remit the payment in lieu of taxes to the school district and the TIF debt service fund.

The Township established a miscellaneous capital projects fund to account for the construction related to the TIF and established a Miscellaneous Debt Service Account to account for the TIF's debt service. However, the Township did not establish a TIF Debt Service Reserve Fund or a Special Revenue TIF Equivalent Fund.

This resulted in the reclassification of the TIF debt service fund from other governmental to a major fund for 2007. In addition, the Township made adjustments to move the \$65,486 in 2007 from the TIF Debt Service Fund to the Special Revenue TIF Equivalent Fund and the \$150,045 balance of the TIF Bond Reserve Account held by the trustee to be moved from the General Bond Retirement Fund to a TIF Debt Reserve Fund.

We recommend that the township establish all funds as disclosed in TIF Resolution 06-23-2004A. The Township corrected the financial statements and accounting records to reflect the required funds.

**Officials' Response:**

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

**FINDING NUMBER 2007-006**

**Material Noncompliance/Significant Deficiency**

**Ohio Rev. Code, Section 507.07**, requires the Township Fiscal Officer to maintain the books of the Township and exhibit accurate statements of all monies received and expended.

In addition, **Ohio Admin. Code, Section 117-2-02(A)**, requires public offices to maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by rule 117-2-03 of Administrative Code.

The Township had the following posting errors in 2007 and 2006, which resulted in audit adjustments and reclassifications to the financial statements:

- The Township posted \$7,977 and \$8,471 in General Fund Intergovernmental Receipts to Taxes in 2007 and 2006, respectively.
- In 2007 the Township posted \$2,497 in General Fund Intergovernmental Receipts to Miscellaneous Receipts.
- The Township posted \$28,547 and \$19,047 in General Fund Receipts for income tax collected by The City of Harrison on behalf of the Joint Economic Development District to Miscellaneous Revenue rather than Intergovernmental for 2007 and 2006, respectively.
- The Township posted \$27,498 in General Fund Receipts for cable franchise fees to Miscellaneous Revenue rather than License, Permits and Fees, for both 2007 and 2006.
- The Township posted \$91,870 and \$34,833 in General Fund Receipts for community center lunch fees collected by The City of Harrison to Miscellaneous Revenue rather than Charges for Services in 2007 and 2006, respectively.

As a result of these errors, receipts for certain line items and funds were incorrectly reported on the Annual Report. The Township made significant audit adjustments required to correct the financial statements. We recommend due care be exercised when posting entries to the cash journal to prevent errors and assist in properly reflecting the Township's financial activity in the annual report.

**Officials' Response:**

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

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HARRISON TOWNSHIP  
HAMILTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2007 AND 2006

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b><i>Explain</i></b>
2005-001	ORC 5705.41(D)(1), Failure to certify the availability of funds for certain commitments.	No	Reissued as Finding 2007-001





**Mary Taylor, CPA**  
Auditor of State

**HARRISON TOWNSHIP**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 6, 2008**