

# Harrison Township, Ohio



## Basic Financial Statements

December 31, 2012





# Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Harrison Township, Hamilton County, prepared by Plattenburg & Associates, Inc., for the audit period January 1, 2012 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

June 3, 2014

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Ohio, (the Township) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash accounting basis Note 2 describes. This responsibility includes determining that the modified cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective modified cash financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township, as of December 31, 2012, and the respective changes in modified cash financial position and the respective budgetary comparisons for the General Fund, Permissive Motor

Vehicle License Tax Fund, TIF Equivalent Fund and Fire District Fund for the year then ended in accordance with the accounting basis described in Note 2.

### **Accounting Basis**

We draw attention to Note 2 of the financial statements, which describes the accounting basis, which differs from generally accepted accounting principles. We did not modify our opinion regarding this matter.

### **Other Matters**

#### *Supplemental and Other Information*

We audited to opine on the Township's financial statements that collectively comprise its basic financial statements.

Management's Discussion & Analysis includes tables of net position (modified cash basis), changes in net position (modified cash basis) and governmental activities (modified cash basis). These tables provide additional analysis and are not a required part of the basic financial statements.

These tables are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these tables to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling these tables directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these tables are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in the Management's Discussion & Analysis, and we express no opinion or any other assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 6, 2014, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.

Cincinnati, Ohio

May 6, 2014

**Harrison Township, Hamilton County  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(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, 2012, within the limitations of the Township's use of modified cash basis accounting. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Township's financial performance.

**Financial Highlights**

Key highlights for 2012 are as follows:

- Net Position of governmental activities increased by \$516,306 or 24% from the prior year. The increase in net position was mostly due to the Township's purchase of three acres of land in the previous year.
- The Township's most significant sources of receipts are property and other taxes and intergovernmental receipts, which include local government funds. These receipts represent approximately 97% of the total governmental activities receipts.

**Using the Basic Financial Statements**

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

**Report Components**

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

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

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

**Basis of Accounting**

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

**Harrison Township, Hamilton County  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(Unaudited)**

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

The Township adopted a policy of preparing its financial statements on the modified cash basis of accounting to properly present investments.

**Reporting the Township as a Whole**

The Statement of Net Position and the Statement of Activities reflect how the Township did financially during 2012, within the limitations of use of modified cash basis accounting. The Statement of Net Position presents the cash balances of the governmental activities of the Township at year end. The Statement of Activities compares cash disbursements with program receipts for each governmental program activity. Program receipts include (where applicable) charges paid by the recipient of the program's goods or services and grants and contributions restricted to meeting the operational or capital requirements of a particular program. General receipts are all receipts not classified as program receipts. The comparison of cash disbursements with program receipts identifies how each governmental function activity draws from the Township's general receipts.

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

In the Statement of Net Position 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

**Harrison Township, Hamilton County  
Management’s Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(Unaudited)**

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resources that can be spent to finance the Township’s programs. The Township’s significant governmental funds are presented on the financial statements in separate columns. The information for nonmajor funds (funds whose activity or balances are not large enough to warrant separate reporting) is combined and presented in total in a single column. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**The Township as a Whole**

Table 1 below provides a summary of the Township’s net position for 2012 compared to 2011 on a modified cash basis:

Table 1  
Net Position (Modified Cash Basis)

	<u>Governmental Activities</u>	
	<u>2012</u>	<u>2011</u>
Assets		
Equity in Pooled Cash and Investments	<u>\$2,627,176</u>	<u>\$2,110,870</u>
Total Assets	<u><u>2,627,176</u></u>	<u><u>2,110,870</u></u>
Net Position		
Restricted	796,976	690,647
Unrestricted	<u>1,830,200</u>	<u>1,420,223</u>
Total Net Position	<u><u>\$2,627,176</u></u>	<u><u>\$2,110,870</u></u>

As mentioned previously, net position of governmental activities increased by \$516,306 or 24% during 2012.

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**Harrison Township, Hamilton County  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(Unaudited)**

Table 2 below reflects the changes in net position in 2012.

Table 2  
Changes in Net Position (Modified Cash Basis)

	2012	2011
Receipts		
Program Receipts:		
Charges for Services	\$161,733	\$52,421
Operating Grants and Contributions	125,926	124,059
Total Program Receipts	<u>287,659</u>	<u>176,480</u>
General Receipts:		
Property Taxes	800,791	765,700
Other Taxes	64,400	69,752
Grants and Entitlements	502,578	1,114,984
Other	55,051	8,666
Total General Receipts	<u>1,422,820</u>	<u>1,959,102</u>
Total Receipts	<u>1,710,479</u>	<u>2,135,582</u>
Program Disbursements		
General Government	837,239	838,912
Public Safety	109,131	105,462
Public Works	113,163	188,185
Health	17,394	11,755
Conservation - Recreation	3,000	3,000
Capital Outlay	0	148,220
Debt Service (principal & interest)	114,246	154,463
Total Program Disbursements	<u>1,194,173</u>	<u>1,449,997</u>
Change in Net Position	516,306	685,585
Net Position Beginning of Year	<u>2,110,870</u>	<u>1,425,285</u>
Net Position End of Year	<u>\$ 2,627,176</u>	<u>\$2,110,870</u>

Program receipts represent 16.8% 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 83.2% of total receipts and approximately 60.8% of those receipts are property and other local taxes. Grants and entitlements make up 35.3% 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 disbursements are the costs of police and fire protection. Capital outlay represents repairs and maintenance throughout the Township.

**Harrison Township, Hamilton County  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(Unaudited)**

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Grants and Entitlements decreased mainly due to a decrease in estate taxes received in 2012 as compared to 2011. Capital outlay disbursements decreased due to the purchase of three acres of land in 2011.

Governmental Activities

If you look at the Statement of Activities, you will see that the first column lists the major services provided by the Township. The next column identifies the costs of providing these services. The major program disbursements for governmental activities are for general government, public safety and public works, which account for 70%, 9% and 9% 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 (Modified Cash Basis)

	Total Cost of Services		Net Cost of Services	
	2012	2011	2012	2011
General Government	\$837,239	\$838,912	(\$676,561)	(\$817,386)
Public Safety	109,131	105,462	(109,131)	(75,177)
Public Works	113,163	188,185	12,763	(64,126)
Health	17,394	11,755	(17,394)	(11,755)
Conservation - Recreation	3,000	3,000	(3,000)	(3,000)
Other	0	0	1,055	610
Capital Outlay	0	148,220	0	(148,220)
Debt Service - Principal & Interest	114,246	154,463	(114,246)	(154,463)
Total Disbursements	<u>\$1,194,173</u>	<u>\$1,449,997</u>	<u>(\$906,514)</u>	<u>(\$1,273,517)</u>

**The Township's Funds**

Total governmental funds had receipts of \$1,710,479 and disbursements of \$1,194,173. The Township experienced a decrease in intergovernmental receipts and capital outlay disbursements in 2012 as compared to 2011.

**General Fund Budgeting Highlights**

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

**Harrison Township, Hamilton County  
Management's Discussion and Analysis  
For the Fiscal Year Ended December 31, 2012  
(Unaudited)**

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For the year ended December 31, 2012, General Fund final actual receipts were slightly below final budgeted receipts, primarily due to variances in property and other local taxes and intergovernmental receipts. However, General Fund final actual disbursements were significantly below final budgeted disbursements, primarily due to a variance in general government and public safety disbursements.

**Capital Assets and Debt Administration**

**Capital Assets**

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

**Debt**

At December 31, 2012, the Township's outstanding debt included \$139,916 in capital leases and \$1,365,000 of Variable Rate Tax Increment Financing (TIF) Revenue Bonds. For further information regarding the Township's debt, refer to Note 9 and 10 in the notes to the basic financial statements.

**For the Future**

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

**Contacting the Township's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Township's finances and to reflect the Township's accountability for the monies it receives. Questions concerning any of the information in this report or requests for additional information should be directed to Mr. Gregory P. Bybee, Fiscal Officer, Harrison Township, 300 George Street, Harrison, Ohio 45030.

Harrison Township, Hamilton County  
Statement of Net Position - Modified Cash Basis  
December 31, 2012

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	<u>Governmental Activities</u>
Assets:	
Equity in Pooled Cash and Investments	<u>\$2,627,176</u>
Total Assets	<u>2,627,176</u>
Net Position:	
Restricted for:	
Gasoline Tax	211,340
Road and Bridge	95,004
Permissive Motor Vehicle Tax	270,090
Debt Service	150,045
Other Purposes	70,497
Unrestricted	<u>1,830,200</u>
Total Net Position	<u>\$2,627,176</u>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Activities - Modified Cash Basis  
For the Fiscal Year Ended December 31, 2012

	Cash Disbursements	Program Cash Receipts	
		Charges for Services and Sales	Operating Grants and Contributions
Governmental Activities:			
General Government	\$837,239	\$160,678	\$0
Public Safety	109,131	0	0
Public Works	113,163	0	125,926
Health	17,394	0	0
Conservation - Recreation	3,000	0	0
Other	0	1,055	0
Debt Service:			
Principal Retirement	104,082	0	0
Interest and Fiscal Charges	10,164	0	0
<b>Total Governmental Activities</b>	<b>\$1,194,173</b>	<b>\$161,733</b>	<b>\$125,926</b>

General Receipts:

Property Taxes

Other Taxes

Grants and Entitlements not Restricted to Specific Programs

Earnings on Investments

Cable Franchise Fees

Miscellaneous

Total General Receipts

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements.

Net (Disbursements) Receipts  
and Changes in Net Position

Total

(\$676,561)  
(109,131)  
12,763  
(17,394)  
(3,000)  
1,055

(104,082)  
(10,164)

(906,514)

800,791  
64,400  
502,578  
4,477  
32,710  
17,864

1,422,820

516,306

2,110,870

\$2,627,176

Harrison Township, Hamilton County  
Statement of Assets and Fund Balances - Modified Cash Basis  
Governmental Funds  
December 31, 2012

	General	Permissive Motor Vehicle License Tax	TIF Equivalent	Fire District
Assets:				
Equity in Pooled Cash and Investments	\$1,830,200	\$270,090	\$58,594	\$0
Total Assets	<u>1,830,200</u>	<u>270,090</u>	<u>58,594</u>	<u>0</u>
Fund Balances:				
Restricted	0	270,090	58,594	0
Assigned	360,000	0	0	0
Unassigned	<u>1,470,200</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>\$1,830,200</u>	<u>\$270,090</u>	<u>\$58,594</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$468,292	\$2,627,176
<u>468,292</u>	<u>2,627,176</u>
467,643	796,327
649	360,649
<u>0</u>	<u>1,470,200</u>
<u>\$468,292</u>	<u>\$2,627,176</u>

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements  
and Changes in Fund Balance - Modified Cash Basis  
Governmental Funds  
For the Fiscal Year Ended December 31, 2012

	General	Permissive Motor Vehicle License Tax	TIF Equivalent	Fire District
<b>Receipts:</b>				
Property and Other Local Taxes	\$320,252	\$0	\$333,235	\$129,495
Charges for Services	45,705	0	0	0
Licenses, Permits and Fees	32,711	0	0	0
Fines and Forfeitures	1,055	0	0	0
Intergovernmental	661,339	39,320	0	18,068
Earnings on Investments	3,979	27	0	0
Miscellaneous	17,865	0	0	0
<b>Total Receipts</b>	<b>1,082,906</b>	<b>39,347</b>	<b>333,235</b>	<b>147,563</b>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	489,934	0	199,742	147,563
Public Safety	109,131	0	0	0
Public Works	20,496	0	0	0
Health	17,394	0	0	0
Conservation - Recreation	3,000	0	0	0
<b>Debt Service:</b>				
Principal Retirement	24,082	0	0	0
Interest and Fiscal Charges	8,277	0	0	0
<b>Total Disbursements</b>	<b>672,314</b>	<b>0</b>	<b>199,742</b>	<b>147,563</b>
<b>Excess of Receipts Over (Under) Disbursements</b>	<b>410,592</b>	<b>39,347</b>	<b>133,493</b>	<b>0</b>
<b>Other Financing Sources (Uses):</b>				
Transfers In	0	0	0	0
Transfers (Out)	0	0	(81,887)	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>(81,887)</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>410,592</b>	<b>39,347</b>	<b>51,606</b>	<b>0</b>
<b>Fund Balance Beginning of Year</b>	<b>1,419,608</b>	<b>230,743</b>	<b>6,988</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$1,830,200</b>	<b>\$270,090</b>	<b>\$58,594</b>	<b>\$0</b>

See accompanying notes to the basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$18,152	\$801,134
0	45,705
0	32,711
0	1,055
88,807	807,534
469	4,475
0	17,865
<u>107,428</u>	<u>1,710,479</u>
0	837,239
0	109,131
92,667	113,163
0	17,394
0	3,000
80,000	104,082
<u>1,887</u>	<u>10,164</u>
<u>174,554</u>	<u>1,194,173</u>
<u>(67,126)</u>	<u>516,306</u>
81,887	81,887
<u>0</u>	<u>(81,887)</u>
<u>81,887</u>	<u>0</u>
14,761	516,306
<u>453,531</u>	<u>2,110,870</u>
<u>\$468,292</u>	<u>\$2,627,176</u>

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes in  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2012

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
<b>Receipts:</b>				
Property and Other Local Taxes	\$215,890	\$331,031	\$320,252	(\$10,779)
Charges for Services	30,811	47,243	45,705	(1,538)
Licenses, Permits and Fees	22,051	33,812	32,711	(1,101)
Fines and Forfeitures	711	1,091	1,055	(36)
Intergovernmental	445,825	683,599	661,339	(22,260)
Earnings on Investments	22,668	34,758	33,626	(1,132)
Miscellaneous	12,043	18,466	17,865	(601)
<b>Total Receipts</b>	<b>749,999</b>	<b>1,150,000</b>	<b>1,112,553</b>	<b>(37,447)</b>
<b>Disbursements:</b>				
<b>Current:</b>				
<u>General Government</u>				
Personnel Services	141,516	141,516	92,822	48,694
Contractual Services	121,939	121,939	79,981	41,958
Supplies and Materials	8,490	8,490	5,569	2,921
Miscellaneous	475,000	475,000	311,558	163,442
<b>Total General Government</b>	<b>746,945</b>	<b>746,945</b>	<b>489,930</b>	<b>257,015</b>
<u>Public Safety</u>				
Contractual Services	3,722	3,722	2,441	1,281
Miscellaneous	162,658	162,658	106,689	55,969
<b>Total Public Safety</b>	<b>166,380</b>	<b>166,380</b>	<b>109,130</b>	<b>57,250</b>
<u>Public Works</u>				
Miscellaneous	31,248	31,248	20,496	10,752
<b>Total Public Works</b>	<b>31,248</b>	<b>31,248</b>	<b>20,496</b>	<b>10,752</b>
<u>Health</u>				
Supplies and Materials	26,519	26,519	17,394	9,125
<b>Total Health</b>	<b>26,519</b>	<b>26,519</b>	<b>17,394</b>	<b>9,125</b>
<u>Conservation - Recreation</u>				
Miscellaneous	4,574	4,574	3,000	1,574
<b>Total Conservation-Recreation</b>	<b>4,574</b>	<b>4,574</b>	<b>3,000</b>	<b>1,574</b>
Capital Outlay	0	0	0	0
<b>Debt Service:</b>				
Principal Retirement	36,715	36,715	24,082	12,633
Interest and Fiscal Charges	12,619	12,619	8,277	4,342
<b>Total Disbursements</b>	<b>1,025,000</b>	<b>1,025,000</b>	<b>672,309</b>	<b>352,691</b>
<b>Net Change in Fund Balance</b>	<b>(275,001)</b>	<b>125,000</b>	<b>440,244</b>	<b>315,244</b>
<b>Fund Balance Beginning of Year (includes prior year encumbrances appropriated)</b>	<b>1,435,249</b>	<b>1,435,249</b>	<b>1,435,249</b>	<b>0</b>
<b>Fund Balance End of Year</b>	<b>\$1,160,248</b>	<b>\$1,560,249</b>	<b>\$1,875,493</b>	<b>\$315,244</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes in  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2012

	Permissive Motor Vehicle License Tax Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Receipts:				
Intergovernmental	\$40,972	\$40,972	\$39,320	(\$1,652)
Earnings on Investments	28	28	27	(1)
<b>Total Receipts</b>	<b>41,000</b>	<b>41,000</b>	<b>39,347</b>	<b>(1,653)</b>
Disbursements:				
Current:				
<u>Public Works</u>				
Supplies and Materials	0	0	0	0
<b>Total Public Works</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Disbursements</b>	<b>150,000</b>	<b>150,000</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balance</b>	<b>(109,000)</b>	<b>(109,000)</b>	<b>39,347</b>	<b>(1,653)</b>
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	230,743	230,743	230,743	0
<b>Fund Balance End of Year</b>	<b>\$121,743</b>	<b>\$121,743</b>	<b>\$270,090</b>	<b>(\$1,653)</b>

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes in  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2012

	TIF Equivalent Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Receipts:				
Property and Other Local Taxes	\$285,000	\$285,000	\$333,235	\$48,235
Total Receipts	285,000	285,000	333,235	48,235
Disbursements:				
Current:				
<u>General Government</u>				
Contractual Services	3,639	3,639	3,596	43
Miscellaneous	198,493	198,493	196,145	2,348
Total General Government	202,132	202,132	199,741	2,391
Total Disbursements	202,132	202,132	199,741	2,391
Excess of Receipts Over (Under) Disbursements	82,868	82,868	133,494	50,626
Other financing sources (uses):				
Transfers (Out)	(82,867)	(82,867)	(81,887)	980
Total Other Financing Sources (Uses)	(82,867)	(82,867)	(81,887)	980
Net Change in Fund Balance	1	1	51,607	51,606
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	6,988	6,988	6,988	0
Fund Balance End of Year	\$6,989	\$6,989	\$58,595	\$51,606

See accompanying notes to the basic financial statements.

Harrison Township, Hamilton County  
Statement of Receipts, Disbursements and Changes in  
Budget and Actual (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended December 31, 2012

	Fire District Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Receipts:				
Property and Other Local Taxes	\$149,185	\$149,185	\$129,496	(\$19,689)
Intergovernmental	20,815	20,815	18,068	(2,747)
<b>Total Receipts</b>	<b>170,000</b>	<b>170,000</b>	<b>147,564</b>	<b>(22,436)</b>
Disbursements:				
Current:				
<u>General Government</u>				
Contractual Services	2,755	2,755	2,391	364
Miscellaneous	167,245	167,245	145,173	22,072
<b>Total General Government</b>	<b>170,000</b>	<b>170,000</b>	<b>147,564</b>	<b>22,436</b>
<b>Total Disbursements</b>	<b>170,000</b>	<b>170,000</b>	<b>147,564</b>	<b>22,436</b>
Net Change in Fund Balance	0	0	0	0
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	0	0	0	0
Fund Balance End of Year	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

See accompanying notes to the basic financial statements.

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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**Note 1 - Reporting Entity**

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

The reporting entity is comprised solely of the primary government.

**A. Primary Government**

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

**B. Component Unit**

The Township has no component units.

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

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

Jointly Governed Organization:

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

Public Entity Risk Pool:

*Ohio Township Association Risk Management Authority (OTARMA)* – This organization provides property and casualty coverage to the Township. OTARMA is a member of the American Public Entity Excess Pool (APEEP). This organization is discussed in Notes 6 and 11 to the financial statements.

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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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

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

A. Basis of Presentation

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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

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

C. Basis of Accounting

The Township adopted a policy of preparing its financial statements on the modified cash basis of accounting to properly present investments.

The Township's financial statements are prepared using the modified cash basis of accounting. Except for the recording of the change in market value of held investments as increases or decreases to investment earnings, receipts are recorded in the Township's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of this modified cash basis of accounting, certain assets and their related receipts (such as accounts receivable and receipt for billed or provided services not yet

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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collected) and certain liabilities and their related disbursements (such as accounts payable and disbursements for services received but not yet paid, and accrued disbursements and liabilities) are not recorded in these financial statements.

D. Budgetary Process

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

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

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

E. Equity in Pooled Cash and Investments

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

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

During 2012, the Township had investments in money market funds, governmental securities and STAR Ohio.

The Township's money market fund investments are recorded at the amount reported by the respective financial institutions on December 31, 2012.

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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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, 2012.

Earnings on Investments are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Earnings on Investments credited to the General Fund during 2012 were \$3,979 and Earnings in Investments credited to all other funds were \$496.

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 2012.

I. Employer Contributions to Cost-Sharing Pension Plans

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

J. Long-Term Obligations

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

K. Net Position

Net Position are reported as restricted when there are limitations imposed on their use through

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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enabling legislation imposed by creditors, grantors, or laws or regulations of other governments. Of the \$796,976 in restricted net position, none were restricted by enabling legislation.

L. Fund Balance

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

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

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

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

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

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

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

M. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. For 2012, 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.

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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**Note 3 – Budgetary Basis of Accounting**

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The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement(s) of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – budgetary basis presented for the General Fund and each major fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. The differences between the budgetary basis and the modified cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as an assignment of fund balance (modified cash basis) and outstanding year end advances are treated as an other financing sources or uses (budgetary basis) rather than as an interfund receivables or payables (modified cash basis). In 2012, the Township had no advances between funds.

**Note 4 – Equity in Pooled Cash and Investments**

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

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

Inactive deposits are public deposits that the Trustees have identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the Township can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).
8. Commercial paper and bankers acceptances, with appropriate limitations based on completion of ORC training requirements.

Protection of the Township's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the Township by the financial institution, or by a collateral pool established by the respective financial institution to secure the repayment of all public monies deposited with the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the Township, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Township or qualified trustee or, if the securities are not represented by a certificate, upon confirmation of transfer from the custodian.

### 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, \$1,036,341 of the Township's bank balance of \$1,486,341 was exposed to

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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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, 2012, the Township had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Federal Home Loan Mortgage	\$946,088	0.45
Money Market Funds	150,051	0.00
STAR Ohio	59,244	0.15
	<u>\$1,155,383</u>	
Portfolio Weighted Average Maturity		0.36

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.

Investments in Federal Home Loan Mortgage were rated Aaa by Moody's Investor Service and AA+ by Standard and Poor's. STAR Ohio carries a rating of AAAM by Standard and Poor's. Money Market Funds were not rated. 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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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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**

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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 2012 represent the collection of 2011 taxes. Real property taxes received in 2012 were levied after October 1, 2011, on the assessed values as of January 1, 2011, 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 2012 represent the collection of 2011 taxes. Public utility real and tangible personal property taxes received in 2011 became a lien on December 31, 2010, were levied after October 1, 2011, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The full tax rate for all Township operations for the year ended December 31, 2012, was \$3.80 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2012 property tax receipts were based are as follows:

Real Property	\$91,532,500
Public Utility Property	<u>4,723,560</u>
	<u>\$96,256,060</u>

**Note 6 – Risk Management**

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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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**Casualty Coverage**

APEEP provides OTARMA with an excess risk-sharing program, for which OTARMA pays a percentage of its contributions. Under this arrangement, the Pool retains risks up to an amount specified in the contracts (at December 31, 2012, the Pool retained \$350,000 per occurrence, including loss adjustment expenses). Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$1,650,000 for each claim. Additionally, APEEP retains excess limits of greater than \$2 million up to \$5 million at an amount not to exceed \$3 million in the aggregate per accident year. APEEP's total exposure is capped at \$10 million in the aggregate per year. Governments can elect up to \$10 million in additional coverage with reinsurers GenRe and Alteris, through contracts with OTARMA.

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

**Property Coverage**

The Travelers Indemnity Company reinsures specific losses exceeding \$600,000 up to \$750 million per occurrence. APEEP reinsures OTARMA for specific losses exceeding \$250,000 up to \$600,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members' Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$750 million per occurrence limit.

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

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

**Financial Position**

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	9,355,082	9,718,792
Net Position	25,416,188	25,367,373

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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At December 31, 2012 and 2011, respectively, liabilities noted above include approximately \$8.7 million and \$9.1 million of estimated incurred claims payable. The assets and retained earnings above also include approximately \$7.9 million and \$8.6 million of unpaid claims to be billed to 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The Township's share of these unpaid claims for 2012 is approximately \$23,840.

Based on discussions with OTARMA the expected rates charged by OTARMA to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership. The Township's contributions to OTARMA for the years ending December 31, 2012 and 2011 were \$11,920 and \$13,345, respectively.

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

**Note 7 – Pension Plans**

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**Ohio Public Employees Retirement System**

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the TP and CO Plans. Members of the MD Plan do not qualify for the ancillary benefits. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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obtain a copy by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling 614-222-5601 or 800-222-7377, or by visiting the OPERS website at [www.opers.org](http://www.opers.org).

The Ohio Revised Code provides statutory authority for member and employer contributions. Plan members and employer contributions rates were consistent across all three plans. Plan members are required to contribute 10% of their annual covered salary to fund pension obligations. The employer pension contribution rate for the Township is 14% of covered payroll. The contribution rates are determined actuarially. The Township's required contributions to OPERS for the years ended December 31, 2012, 2011 and 2010 were \$11,936, \$12,379 and \$13,007, respectively. The full amount has been contributed for 2012, 2011 and 2010.

**Note 8 – Post Employment Benefits**

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**Ohio Public Employees Retirement System**

Plan Description

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

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

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

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

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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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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 2012, the Township contributed at 14% of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care Plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determined the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contribution allocated to the health care plan was 4.0% during calendar year 2012. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care coverage by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Information from Township's Records

The rates stated in Funding Policy, above, are the contractually required contribution rates for OPERS. The Township's actual contributions for the current year, which were used to fund postemployment benefits, were \$3,410 for 2012, \$3,537 for 2011, and \$852 for the period of January 1 through February 28, 2010 and \$3,871 for the period of March 1, 2010 through December 31, 2010.

OPERS Board of Trustees Adopt Changes to the Health Care Plan

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4 percent of the employer contributions toward the health care fund after the end of the transition period.

**Note 9 – Debt**

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The Township's long-term debt activity for the year ended December 31, 2012, was as follows:

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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		Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>						
<u>Bonds Payable</u>						
Variable Rate TIF Revenue	Variable	\$1,445,000	\$0	\$80,000	\$1,365,000	\$85,000
Capital Leases		163,998	0	24,082	139,916	25,298
Total Long-Term Debt		<u>\$1,608,998</u>	<u>\$0</u>	<u>\$104,082</u>	<u>\$1,504,916</u>	<u>\$110,298</u>

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

Years	Principal	Interest	Total
2013	\$85,000	\$27,163	\$112,163
2014	90,000	25,472	115,472
2015	95,000	23,680	118,680
2016	100,000	21,791	121,791
2017	105,000	19,800	124,800
2018-2022	605,000	65,670	670,670
2023-2024	285,000	8,557	293,557
Totals	<u>\$1,365,000</u>	<u>\$192,133</u>	<u>\$1,557,133</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 receipts based on the increased value of the land and improvements. Debt service payments by the developer are not reflected in the Township's financial statements.

Principal and interest on the Bonds will be paid from funds drawn by the Huntington National Bank, as trustee, under an irrevocable direct pay Letter of Credit issued by Fifth Third Bank in the total amount of \$1,437,925.

**Note 10 – Capital Leases**

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

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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

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.

<u>Fiscal Year Ending December 31,</u>	<u>Long-Term Debt</u>
2013	\$32,359
2014	32,359
2015	32,359
2016	32,359
2017	<u>32,359</u>
Total Payments	161,795
Less: Interest	<u>(21,879)</u>
Present Value of Minimum Lease Payments	<u><u>\$139,916</u></u>

**Note 11 – Public Entity Risk Pool**

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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**

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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**

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During 2012, the following transfers were made:

**Harrison Township, Hamilton County**  
**Notes to the Basic Financial Statements**  
**For the Fiscal Year Ended December 31, 2012**

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	<u>Transfer In</u>	<u>Transfer Out</u>
TIF Equivalent	\$0	\$81,887
Other Governmental Funds	<u>81,887</u>	<u>0</u>
Total Transfers in All Funds	<u>\$81,887</u>	<u>\$81,887</u>

Transfers are used to move receipts 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 receipts collected in the general fund to finance various programs accounted for in the other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. Transfers were made in 2012 for debt service payments.

**Note 14 – Fund Balances**

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

<u>Fund Balances</u>	<u>General</u>	<u>Permissive Motor Vehicle License Tax</u>	<u>TIF Equivalent</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for:</b>					
Permissive Motor Vehicle Tax	\$0	\$270,090	\$0	\$0	\$270,090
TIF Equivalent	0	0	58,594	0	58,594
Motor Vehicle License Tax	0	0	0	11,254	11,254
Gasoline Tax	0	0	0	211,340	211,340
Road and Bridge	0	0	0	95,004	95,004
TIF Debt Service Reserve	<u>0</u>	<u>0</u>	<u>0</u>	<u>150,045</u>	<u>150,045</u>
<b>Total Restricted</b>	0	270,090	58,594	467,643	796,327
<b>Assigned to:</b>					
Miscellaneous Capital Projects	0	0	0	649	649
Budgetary Variance	<u>360,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>360,000</u>
<b>Total Assigned</b>	360,000	0	0	649	360,649
<b>Unassigned (Deficit)</b>	<u>1,470,200</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,470,200</u>
<b>Total Fund Balance</b>	<u>\$1,830,200</u>	<u>\$270,090</u>	<u>\$58,594</u>	<u>\$468,292</u>	<u>\$2,627,176</u>

**Note 15– Change in Accounting Principle**

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For fiscal year 2012, the Township has implemented Governmental Accounting Standards Board (GASB) Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. The implementation of these GASB Statements had no effect on prior year net position or fund balances.

# Harrison Township, Ohio



Yellow Book Report

December 31, 2012

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harrison Township, Ohio (the Township), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated May 6, 2014 wherein we noted the Township presented financial statements on the modified cash basis of accounting rather than in accordance with accounting principles generally accepted in the United States of America, as disclosed in Note 2.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Plattensburg & Associates, Inc.*

Plattensburg & Associates, Inc.  
Cincinnati, Ohio  
May 6, 2014

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# Dave Yost • Auditor of State

**HARRISON TOWNSHIP**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 17, 2014**