



**Auditor of State
Betty Montgomery**

**HARRISON TOWNSHIP
VINTON COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Harrison Township
Vinton County
36793 Fairview Road
Ray, Ohio 45672

To the Board of Township Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code Section 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code Sections 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments. We believe our audit provides a reasonable basis for our opinions.

As discussed in Note 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, Vinton County, Ohio, as of December 31, 2005 and 2004, and the respective changes in cash financial position and the respective budgetary comparison for the General Fund, Gasoline Tax Fund, and Fire/EMS Fund, thereof for the years then ended in conformity with the basis of accounting Note 2 describes.

For the years ended December 31, 2005 and 2004, the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2006, 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 accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Betty Montgomery
Auditor of State

June 22, 2006

Harrison Township – Vinton County
Management’s Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

This discussion and analysis of the Harrison Township’s financial performance provides an overall review of the Township’s financial activities for the years ended December 31, 2005 and 2004, within the limitations of the Township’s cash basis accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township’s financial performance.

The Management’s Discussion and Analysis (MD&A) is an element of the new reporting model adopted by the Governmental Accounting Standard Board (GASB) in their Statement No. 34 “Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments” issued in June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. However, because this is the first year of implementing the new reporting model, certain necessary comparative information of the previous year was not prepared. Considering the financial resources necessary to prepare this information for the prior year, and that the GASB Statement No. 34 permits the omission of the comparative information in the first year of adoption of the new reporting model, the Township has elected to exclude the information in this report. Subsequent reports will include the comparative information.

Highlights

Key highlights for 2005 are as follows:

Net assets of governmental activities increased \$37,705, or 17.92 percent, a significant change from the prior year. The fund most affected by the increase in cash and cash equivalents was the Fire/EMS Fund, which increased \$29,679 or 30.97 percent.

The Township’s general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 34.01 and 25.67 percent of the total cash received for governmental activities during the year. Property tax receipts for 2005 increased by 27 percent compared to 2004 due to development within the Township.

Key highlights for 2004 are as follows:

Net assets of governmental activities increased \$21,444, or 11.45 percent, a significant change from the prior year.

The Township’s general receipts are primarily property taxes and grants and entitlements not restricted to specific programs. These receipts represent respectively 35.20 and 14.08 percent of the total cash received for governmental activities during the year.

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, as applicable to the Township’s 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.

Harrison Township – Vinton County
Management’s Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

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 financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the 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 on a cash basis of accounting. This basis of accounting is a basis of accounting other than generally accepted accounting principles. Under the Township’s cash basis of accounting, receipts and disbursements are recorded when cash is received or paid.

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

Reporting the Township as a Whole

The statement of net assets and the statement of activities reflect how the Township did financially during 2005 and 2004, within the limitations of cash basis accounting. The statement of net assets presents the cash balances of the governmental activities of the Township for each year end. The statements of activities compare cash disbursements with program receipts for each governmental program. Program receipts include 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 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 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 one type of activity:

Governmental Activities – All of the Township’s basic services are reported here, including fire, emergency medical services (EMS), and streets. State and federal grants and income and property taxes finance most of these activities. Benefits provided through governmental activities are not necessarily paid for by the people receiving them.

Harrison Township – Vinton County
Management’s Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

Reporting the Government’s Most Significant Funds

Fund financial statements provide detailed information about the Township’s major funds – not the Township as a whole. The Township establishes 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. The funds of the Township consist of one category: governmental.

Governmental Funds - 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 Township’s major governmental funds are the General, Gasoline Tax, and Fire and Emergency Services Levy Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements. We describe this relationship in reconciliations presented with the governmental fund financial statements.

The Township as a Whole

Table 1 provides a summary of the Township’s net assets for 2005 compared to 2004 on a cash basis:

(Table 1)
Net Assets

	Governmental Activities		
	2005	Restated 2004	Before Restatement 2004
Assets			
Cash and Cash Equivalents	\$ 248,073	\$ 210,368	\$ 208,763
Total Assets	248,073	210,368	208,763
Net Assets			
<i>Restricted for:</i>			
Other Purposes	196,854	182,255	182,255
Unrestricted	51,219	28,113	26,508
Total Net Assets	\$248,073	\$210,368	\$208,763

Harrison Township – Vinton County
Management’s Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

As mentioned previously, net assets of governmental activities increased \$37,705 or 17.92 percent during 2005. The primary reasons contributing to the increases in cash balances are as follows:

- The Township had an increase in estate taxes received during 2005.
- The Township was able to keep disbursements well below the receipts during 2005.

Table 2 reflects the changes in net assets in 2005 compared to 2004.

	2005	2004
<u>Receipts:</u>		
<i>Program Receipts:</i>		
Charges for Services and Sales	\$788	\$1,138
Operating Grants and Contributions	88,698	82,366
Total Program Receipts	89,486	83,504
<i>General Receipts:</i>		
Property and Other Local Taxes	79,372	62,473
Grants and Entitlements Not Restricted to Specific Programs	59,883	24,998
Interest	3,464	2,262
Miscellaneous	1,113	4,249
Total General Receipts	143,832	93,982
Total Receipts	233,318	177,486
<u>Disbursements:</u>		
General Government	36,642	36,597
Public Safety	40,401	21,405
Public Works	97,518	79,772
Health	14,338	11,555
Principal Retirement	6,285	5,887
Interest and Fiscal Charges	429	826
Total Disbursements	195,613	156,042
Increase (Decrease) in Net Assets	37,705	21,444
Net Assets, January 1,	*	*
Net Assets, December 31,	210,368	187,319
	\$248,073	\$208,763

* - Refer to Note 3 for the prior period adjustment.

Program receipts for 2005 represent only 38.35 percent of total receipts in 2005 and 47.05% of total receipts in 2004 and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money.

Harrison Township – Vinton County
Management’s Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

General receipts represent 61.65 percent of the Township’s total 2005 receipts, and of this amount, approximately 34.01 percent are local taxes. State and federal grants and entitlements not restricted to specific programs make up 25.67 percent of the Township’s total receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

General receipts represent 52.95 percent of the Township’s total 2004 receipts, and of this amount, approximately 35.20 percent are local taxes. State and federal grants and entitlements not restricted to specific programs make up 14.80 percent of the Township’s total receipts. Other receipts are very insignificant and somewhat unpredictable revenue sources.

Disbursements for General Government represent the overhead costs of running the Township and the support services provided for the other Township activities. These include the costs of Trustees, and the Township Clerk, as well as internal services such as payroll and purchasing. Since these costs do not represent direct services to residents, we try to limit these costs.

Governmental Activities

If you look at the 2005 Statement of Activities on page 10 and the 2004 Statement of Activities on page 18 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 public works and public safety, which, in 2005 accounted for \$137,919 or 70.51 percent of all governmental disbursements, respectively. In 2004, these disbursements accounted for \$101,177 or 64.84 percent of all governmental disbursements. General government also represents a significant cost, about 18.73 percent in 2005 and 23.45 percent in 2004. The next two columns of the Statement entitled Program Receipts identify amounts paid by people who are directly charged for the service 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.

(Table 3)

Governmental Activities

	Total Cost Of Services 2005	Net Cost Of Services 2005	Total Cost Of Services 2004	Net Cost Of Services 2004
General Government	\$36,642	\$36,642	\$36,597	\$36,597
Public Safety	40,401	40,401	21,405	21,405
Public Works	97,518	8,820	79,772	(2,594)
Health	14,338	13,750	11,555	11,180
Other	0	(200)	-	(763)
Principal Retirement	6,285	6,285	5,887	5,887
Interest	429	429	826	826
Total Expenses	\$195,613	\$106,127	\$156,042	\$72,538

The dependence upon property tax receipts is apparent as over 54.25 percent of 2005 governmental activities and 46.49% of 2004 governmental activities are supported through these general receipts.

Harrison Township – Vinton County
Management's Discussion and Analysis
For the Years Ended December 31, 2005 and 2004
(Unaudited)

The Township's Funds

Total governmental funds had receipts of \$233,318 and disbursements of \$195,613 in 2005. The greatest change within governmental funds occurred within the Fire/EMS Fund. The fund balance of the Fire/EMS Fund increased \$29,679 as the result of increased grant and tax revenue receipts for 2005.

Total governmental funds had receipts of \$177,486 and disbursements of \$156,042 in 2004.

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.

For the General Fund final budgeted receipts for 2005 were \$31,970 representing no change from the original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$27,778. Most of the difference is due to an increase in Estate Tax Receipts.

General Fund final disbursements were budgeted at \$58,478 for 2005 while actual disbursements were \$36,642. Final budgeted disbursements represent no change from the original budgeted disbursements.

For the General Fund final budgeted receipts for 2004 were \$31,074 representing no change from the original budgeted receipts. The difference between final budgeted receipts and actual receipts was \$5,556.

General Fund final disbursements were budgeted at \$63,282 for 2004 while actual disbursements were \$36,597. Final budgeted disbursements represent no change from the original budgeted disbursements.

Debt Administration

At December 31, 2004, the Township had a total of \$6,285 in outstanding debt.

At December 31, 2005, the Township has no outstanding debt. For further information regarding the Township's debt, refer to Note 10 to the basic financial statements.

Current Issues

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited. As indicated in the preceding financial information, the Township relies heavily on local taxes and intergovernmental receipts to operate at the current level of services.

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 Audrey Graves, Clerk-Treasurer, Harrison Township, Vinton County, 36793 Fairview Road, Ray, Ohio 45672.

HARRISON TOWNSHIP, VINTON COUNTY

Statement of Net Assets - Cash Basis

December 31, 2005

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$248,073</u>
<i>Total Assets</i>	<u>248,073</u>
<u>Net Assets:</u>	
Restricted for:	
Other Purposes	196,854
Unrestricted	<u>51,219</u>
<i>Total Net Assets</i>	<u><u>\$248,073</u></u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2005*

		Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
	Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
General Government	\$36,642	\$0	\$0	(\$36,642)
Public Safety	40,401	0	0	(40,401)
Public Works	97,518	0	88,698	(8,820)
Health	14,338	588	0	(13,750)
Other	0	200	0	200
<i>Debt Service:</i>				
Principal Retirement	6,285	0	0	(6,285)
Interest and Fiscal Charges	429	0	0	(429)
<i>Total Governmental Activities</i>	<u>\$195,613</u>	<u>\$788</u>	<u>\$88,698</u>	<u>(106,127)</u>
<u>General Receipts:</u>				
Property Taxes				79,372
Grants and Entitlements not Restricted to Specific Programs				59,883
Earnings on Investments				3,464
Miscellaneous				1,113
<i>Total General Receipts</i>				<u>143,832</u>
Change in Net Assets				37,705
<i>Net Assets at Beginning of Year - As Restated (See Note 3)</i>				<u>210,368</u>
<i>Net Assets at End of Year</i>				<u>\$248,073</u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2005

	General	Gasoline Tax	Fire/ EMS	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$51,219	\$45,712	\$125,518	\$25,624	\$248,073
<i>Total Assets</i>	<u>\$51,219</u>	<u>\$45,712</u>	<u>\$125,518</u>	<u>\$25,624</u>	<u>\$248,073</u>
<u>Fund Balances:</u>					
<i>Unreserved</i>					
General Fund	\$51,219	\$0	\$0	\$0	\$51,219
Special Revenue Funds	0	45,712	125,518	25,624	196,854
<i>Total Fund Balances</i>	<u>\$51,219</u>	<u>\$45,712</u>	<u>\$125,518</u>	<u>\$25,624</u>	<u>\$248,073</u>

See accompanying notes to the basic financial statements.

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

	General	Gasoline Tax	Fire/ EMS	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes and other Local Taxes	\$25,111	\$0	\$43,408	\$10,853	\$79,372
Licenses, Permits and Fees	0	0	0	200	200
Intergovernmental	32,864	78,367	24,628	12,722	148,581
Earnings on Investments	660	367	2,044	393	3,464
Miscellaneous	1,113	0	0	588	1,701
<i>Total Receipts</i>	<u>59,748</u>	<u>78,734</u>	<u>70,080</u>	<u>24,756</u>	<u>233,318</u>
<u>Disbursements:</u>					
<i>Current:</i>					
General Government	36,642	0	0	0	36,642
Public Safety	0	0	40,401	0	40,401
Public Works	0	81,934	0	15,584	97,518
Health	0	0	0	14,338	14,338
<i>Debt Service:</i>					
Principal Retirement	0	6,285	0	0	6,285
Interest and Fiscal Charges	0	429	0	0	429
<i>Total Disbursements</i>	<u>36,642</u>	<u>88,648</u>	<u>40,401</u>	<u>29,922</u>	<u>195,613</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>23,106</u>	<u>(9,914)</u>	<u>29,679</u>	<u>(5,166)</u>	<u>37,705</u>
<i>Fund Balances at Beginning of Year - As Restated (See Note 3)</i>	<u>28,113</u>	<u>55,626</u>	<u>95,839</u>	<u>30,790</u>	<u>210,368</u>
<i>Fund Balances at End of Year</i>	<u>\$51,219</u>	<u>\$45,712</u>	<u>\$125,518</u>	<u>\$25,624</u>	<u>\$248,073</u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$24,000	\$24,000	\$25,111	\$1,111
Intergovernmental	7,970	7,970	32,864	24,894
Earnings on Investments	0	0	660	660
Miscellaneous	0	0	1,113	1,113
<i>Total Receipts</i>	31,970	31,970	59,748	27,778
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	43,478	43,478	36,642	6,836
Capital Outlay	15,000	15,000	0	15,000
<i>Total Disbursements</i>	58,478	58,478	36,642	21,836
<i>Excess of Receipts Over (Under) Disbursements</i>	(26,508)	(26,508)	23,106	49,614
<i>Fund Balance at Beginning of Year</i>	28,113	28,113	28,113	0
<i>Fund Balance at End of Year</i>	\$1,605	\$1,605	\$51,219	\$49,614

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$63,000	\$63,000	\$78,367	\$15,367
Earnings on Investments	0	0	367	367
<i>Total Receipts</i>	63,000	63,000	78,734	15,734
<u>Disbursements:</u>				
Public Works	111,826	111,826	81,934	29,892
<i>Debt Service:</i>				
Principal Retirement	6,800	6,800	6,285	515
Interest and Fiscal Charges	0	0	429	(429)
<i>Total Disbursements</i>	118,626	118,626	88,648	29,978
<i>Excess of Receipts Over (Under) Disbursements</i>	(55,626)	(55,626)	(9,914)	45,712
<i>Fund Balance at Beginning of Year</i>	55,626	55,626	55,626	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$45,712	\$45,712

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Fire / EMS Fund
For the Year Ended December 31, 2005*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and other Local Taxes	\$41,000	\$41,000	\$43,408	\$2,408
Intergovernmental	0	0	24,628	24,628
Earnings on Investments	0	0	2,044	2,044
<i>Total Receipts</i>	41,000	41,000	70,080	29,080
<u>Disbursements:</u>				
Public Works	131,839	131,839	40,401	91,438
Capital Outlay	5,000	5,000	0	5,000
<i>Total Disbursements</i>	136,839	136,839	40,401	96,438
<i>Excess of Receipts Over (Under) Disbursements</i>	(95,839)	(95,839)	29,679	125,518
<i>Fund Balance at Beginning of Year</i>	95,839	95,839	95,839	0
<i>Fund Balance at End of Year</i>	\$0	\$0	\$125,518	\$125,518

See accompanying notes to the basic financial statements.

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HARRISON TOWNSHIP, VINTON COUNTY

Statement of Net Assets - Cash Basis

December 31, 2004

	<u>Governmental Activities</u>
<u>Assets:</u>	
Equity in Pooled Cash and Cash Equivalents	<u>\$208,763</u>
<i>Total Assets</i>	<u>208,763</u>
<u>Net Assets:</u>	
Restricted for:	
Other Purposes	182,255
Unrestricted	<u>26,508</u>
<i>Total Net Assets</i>	<u><u>\$208,763</u></u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY

*Statement of Activities - Cash Basis
For the Year Ended December 31, 2004*

	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
<u>Governmental Activities:</u>				
General Government	\$36,597	\$0	\$0	(\$36,597)
Public Safety	21,405	0	0	(21,405)
Public Works	79,772	0	82,366	2,594
Health	11,555	375	0	(11,180)
Other	0	763	0	763
<i>Debt Service:</i>				
Principal Retirement	5,887	0	0	(5,887)
Interest and Fiscal Charges	826	0	0	(826)
<i>Total Governmental Activities</i>	<u>\$156,042</u>	<u>\$1,138</u>	<u>\$82,366</u>	<u>(72,538)</u>
 <u>General Receipts:</u>				
Property Taxes				62,473
Grants and Entitlements not Restricted to Specific Programs				24,998
Earnings on Investments				2,262
Miscellaneous				4,249
<i>Total General Receipts</i>				<u>93,982</u>
Change in Net Assets				21,444
<i>Net Assets at Beginning of Year</i>				<u>187,319</u>
<i>Net Assets at End of Year</i>				<u>\$208,763</u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
Statement of Cash Basis Assets and Fund Balances
Governmental Funds
December 31, 2004

	General	Gasoline Tax	Fire/ EMS	Other Governmental Funds	Total Governmental Funds
<u>Assets:</u>					
Equity in Pooled Cash and Cash Equivalents	\$26,508	\$55,626	\$95,839	\$30,790	\$208,763
<i>Total Assets</i>	<u>\$26,508</u>	<u>\$55,626</u>	<u>\$95,839</u>	<u>\$30,790</u>	<u>\$208,763</u>
<u>Fund Balances:</u>					
<i>Unreserved</i>					
General Fund	\$26,508	\$0	\$0	\$0	\$26,508
Special Revenue Funds	0	55,626	95,839	30,790	182,255
<i>Total Fund Balances</i>	<u>\$26,508</u>	<u>\$55,626</u>	<u>\$95,839</u>	<u>\$30,790</u>	<u>\$208,763</u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
Statement of Receipts, Disbursements and Changes in Cash Basis Fund Balances
Governmental Funds
For the Year Ended December 31, 2004

	General	Gasoline Tax	Fire/ EMS	Other Governmental Funds	Total Governmental Funds
<u>Receipts:</u>					
Property Taxes and other Local Taxes	\$24,441	\$0	\$29,052	\$8,980	\$62,473
Licenses, Permits and Fees	0	0	0	763	763
Intergovernmental	10,753	70,684	13,157	12,770	107,364
Earnings on Investments	557	396	1,276	33	2,262
Miscellaneous	879	1,114	1,896	735	4,624
<i>Total Receipts</i>	<u>36,630</u>	<u>72,194</u>	<u>45,381</u>	<u>23,281</u>	<u>177,486</u>
<u>Disbursements:</u>					
<i>Current:</i>					
General Government	36,597	0	0	0	36,597
Public Safety	0	0	21,405	0	21,405
Public Works	0	50,829	0	28,943	79,772
Health	0	0	0	11,555	11,555
<i>Debt Service:</i>					
Principal Retirement	0	5,887	0	0	5,887
Interest and Fiscal Charges	0	826	0	0	826
<i>Total Disbursements</i>	<u>36,597</u>	<u>57,542</u>	<u>21,405</u>	<u>40,498</u>	<u>156,042</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>33</u>	<u>14,652</u>	<u>23,976</u>	<u>(17,217)</u>	<u>21,444</u>
<i>Fund Balances at Beginning of Year</i>	<u>26,475</u>	<u>40,974</u>	<u>71,863</u>	<u>48,007</u>	<u>187,319</u>
<i>Fund Balances at End of Year</i>	<u>\$26,508</u>	<u>\$55,626</u>	<u>\$95,839</u>	<u>\$30,790</u>	<u>\$208,763</u>

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)*
General Fund
For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and Other Local Taxes	\$20,376	\$20,376	\$24,441	\$4,065
Intergovernmental	10,298	10,298	10,753	455
Earnings on Investments	400	400	557	157
Miscellaneous	0	0	879	879
<i>Total Receipts</i>	31,074	31,074	36,630	5,556
<u>Disbursements:</u>				
<i>Current:</i>				
General Government	48,282	48,282	36,597	11,685
Capital Outlay	15,000	15,000	0	15,000
<i>Total Disbursements</i>	63,282	63,282	36,597	26,685
<i>Excess of Receipts Over (Under) Disbursements</i>	(32,208)	(32,208)	33	32,241
<i>Fund Balance at Beginning of Year</i>	26,475	26,475	26,475	0
<i>Fund Balance at End of Year</i>	(\$5,733)	(\$5,733)	\$26,508	\$32,241

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Intergovernmental	\$49,600	\$49,600	\$70,684	\$21,084
Earnings on Investments	400	400	396	(4)
Miscellaneous	0	0	1,114	1,114
<i>Total Receipts</i>	50,000	50,000	72,194	22,194
<u>Disbursements:</u>				
Public Works	84,891	84,891	50,829	34,062
<i>Debt Service:</i>				
Principal Retirement	6,800	6,800	5,887	913
Interest and Fiscal Charges	0	0	826	(826)
<i>Total Disbursements</i>	91,691	91,691	57,542	34,149
<i>Excess of Receipts Over (Under) Disbursements</i>	(41,691)	(41,691)	14,652	56,343
<i>Fund Balance at Beginning of Year</i>	40,974	40,974	40,974	0
<i>Fund Balance at End of Year</i>	(\$717)	(\$717)	\$55,626	\$56,343

See accompanying notes to the basic financial statements.

HARRISON TOWNSHIP, VINTON COUNTY
*Statement of Receipts, Disbursements and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Fire / EMS Fund
For the Year Ended December 31, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Receipts:</u>				
Property and other Local Taxes	\$24,495	\$24,495	\$29,052	\$4,557
Intergovernmental	2,666	2,666	13,157	10,491
Earnings on Investments	639	639	1,276	637
Miscellaneous	0	0	1,896	1,896
<i>Total Receipts</i>	27,800	27,800	45,381	17,581
<u>Disbursements:</u>				
Public Works	98,999	98,999	21,405	77,594
<i>Total Disbursements</i>	98,999	98,999	21,405	77,594
<i>Excess of Receipts Over (Under) Disbursements</i>	(71,199)	(71,199)	23,976	95,175
<i>Fund Balance at Beginning of Year</i>	71,863	71,863	71,863	0
<i>Fund Balance at End of Year</i>	\$664	\$664	\$95,839	\$95,175

See accompanying notes to the basic financial statements.

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HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 1 – Reporting Entity

The Harrison Township, Vinton County, Ohio (the Township), is a body politic and corporate established 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 Township Fiscal Officer.

The Township provides general government services, maintenance of Township roads and bridges, maintenance of cemeteries and fire and emergency service protection. The Vinton County Sheriff's Department provides the Township with protection at no cost to the Township.

The primary government consists of all funds, departments, boards and agencies that are not legally separate from the Township.

The Township participates in the Ohio Township Association Risk Management Authority (OTARMA), a public entity risk-sharing pool. Note 7 to the financial statements provide additional information for this entity.

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

Note 2 – Summary of Significant Accounting Policies

As discussed further in Note 2.C, 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 and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, to the extent they are applicable to the cash basis of accounting, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The Township does not apply FASB statements issued after November 30, 1989, to its business-type activities and to its enterprise funds. 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 nonexchange transactions. The Township has no Business-type activities.

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

The statement of net assets presents the cash balance 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 charges paid by the recipient of the program's goods or services, 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 or business-type activity 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.

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 funds of the Township are divided into one category governmental.

Governmental Funds

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. Governmental funds focus on the sources, uses, and balances of current financial resources.

The following is the Township's major governmental funds:

General Fund – This 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.

Gasoline Tax Fund – This fund is comprised of taxes on the sale of gasoline which is distributed to the Township based upon road mileage determined by the state. The Township uses the Gasoline Tax Fund for the repair and maintenance of Township roads.

Fire/EMS Fund – This fund is comprised of taxes designated for the operation of the fire/ems department.

The other governmental funds of the Township account for grants and other resources whose use is restricted to a particular purpose.

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

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 goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency 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 ordinance, 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 ordinance 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, function, 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 Clerk. 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 certificated of estimated resources in effect at the time final appropriations were passed by the Township.

The appropriations ordinance 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 ordinance 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".

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments. The Township did not have investments during 2005 and 2004.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

Interest earnings are allocated to Township funds according to State statutes, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2005 was \$660 which includes \$61 assigned from other Township funds was from an interest bearing checking account.

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

The Township reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Township's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The Township recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 2 – Summary of Significant Accounting Policies (continued)

K. Long-Term Obligations

The Township's cash basis financial statements do not report liabilities for bonds or other long-term obligations. Proceeds of debt are reported when the cash is received and principal and interest payments are reported when paid. Since recording a capital asset when entering into a capital lease is not the result of a cash transaction, neither an other financing source nor capital outlay expenditure are reported at inception. Lease payments are reported when paid.

L. Net Assets

Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net assets restricted for other purposes include resources restricted for state grants reported in special revenue funds.

The Township's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

M. 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.

O. Interfund Transactions

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. 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 and after nonoperating receipts/disbursements in proprietary 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 – Prior Period Adjustment and Change in Basis of Accounting

Prior Period Adjustment

In 2005, the Township voided a check issued in 2004. This resulted in a restatement of the prior period cash balance.

	<u>Governmental Activity</u>	<u>General Fund</u>
Net Assets at December 31, 2004	\$208,763	\$26,508
Understatement of Cash and Cash Equivalents	1,605	1,605
Adjusted Net Assets at December 31, 2004	<u>\$210,368</u>	<u>\$28,113</u>

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 3 – Prior Period Adjustment and Change in Basis of Accounting (continued)

Change in Basis of Accounting

Last year the Township reported fund financial statements by fund type using the regulatory basis of accounting as prescribed by the State Auditor's Office. For 2005 and 2004, the Township has implemented the cash basis of accounting described in note 2. For 2005 and 2004, the Township has implemented GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments," GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus," GASB Statement No. 38 "Certain Financial Statement Note Disclosures," GASB Statement No. 40, "Deposit and Investment Risk Disclosures." The implementation of GASB Statement No. 40 had some effect on the disclosure requirements; however, there was no effect on the prior period fund balances of the Township. The fund financial statements now present each major fund in a separate column with nonmajor funds aggregated and presented in a single column, rather than a column for each fund type.

Note 4 – Budgetary Basis of Accounting

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Statement of Receipts, Disbursements and Changes in Fund Balance – Budget and Actual – Budgetary Basis presented for the General Fund, Gasoline Tax Fund, the Fire and Emergency Service Fund are prepared on the budgetary basis to provide a meaningful comparison of actual results with the budget. There are no differences between the budgetary basis and the cash basis.

Note 5 – Deposits and Investments

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

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

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

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

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments - (continued)

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 (STAROhio).

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 investment may be made only upon delivery of the securities representing the investments to the treasurer of qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits by categories of risk as defined in GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements" and GASB Statement No. 40, "Deposits and Investment Risk Disclosures."

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 5 – Deposits and Investments - (continued)

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the Township.

At December 31, 2005, the carrying amount of all Township deposits was \$248,073. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2005, \$165,452 of the Township's bank balance of \$265,452 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$165,452 exposed to custodial risk was collateralized with securities held by the Township or its agency in the Township's name.

At December 31, 2004, the carrying amount of all Township deposits was \$208,763. Based on the criteria described in GASB Statement No. 40, "Deposit and Investment Risk Disclosures", as of December 31, 2004, \$102,690 of the Township's bank balance of \$202,690 was exposed to custodial risk as discussed above while \$100,000 was covered by Federal Deposit Insurance. The \$102,690 exposed to custodial risk was collateralized with securities held by the Township or its agency in the Township's name.

Note 6 – Property Taxes

Property taxes include amounts levied against all real property, public utility property, and tangible personal property located in the Township. Real property tax receipts received in 2005 represent the collection of 2004 taxes. Real property taxes received in 2005 were levied after October 1, 2004, on the assessed values as of January 1, 2004, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax receipts received in 2005 represent the collection of 2004 taxes. Public utility real and tangible personal property taxes received in 2004 became a lien on December 31, 2003, were levied after October 1, 2004, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

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

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 6 – Property Taxes - (continued)

The full tax rate for all Township operations for the year ended December 31, 2005, was \$47.30 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2005 property tax receipts were based are as follows:

	2005	2004
Real Property	\$9,546,350	\$9,217,960
Commercial/Industrial/Mineral	58,220	58,380
Public Utility Property		
Real	14,310	14,310
Personal	2,238,470	2,151,280
Tangible Personal Property	207,970	272,650
Total Assessed Value	\$12,065,320	\$11,714,580

Note 7 – Risk Management

The Township belongs to the Ohio Township Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio local governments. 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.

OTARMA retains casualty risks up to \$250,000 per claim, including loss adjustment expenses. OTARMA pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000 up to \$1,750,000 per claim and \$5,000,000 in the aggregate per year.

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

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

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.

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

The Township also provides health, dental and vision insurance coverage to full-time employees through Ohio Insurance Services Agency, Inc.

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 8 – Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

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

For the year ended December 31, 2005, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2005 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The Township's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the Township's pension contributions were 12.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The Township's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2005, 2004, and 2003 were \$3,780, \$3,412, and \$3,423 respectively. The full amount has been contributed for 2005, 2004 and 2003. Contributions to the member-directed plan for 2005 were \$5,363 made by the Township and \$3,364 by the employees

HARRISON TOWNSHIP, VINTON COUNTY
Notes to the Basic Financial Statements
For the Years Ended December 31, 2005 and 2004

Note 9 - Postemployment Benefits

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 the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2005 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.0 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, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase between 1.00 and 6.00 percent annually for the next eight years and 4.00 percent annually after eight years.

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

The number of active contributing participants in the traditional and combined plans was 376,109. Actual employer contributions for 2005 which were used to fund postemployment benefits were \$5,152. Actual employer contributions for 2004 which were used to fund postemployment benefits were \$5,465. The actual contribution and the actuarially required contribution amounts are the same. The actual value of OPERS's net assets available for payment of benefits at December 31, 2004, (the latest information available) were \$10.8 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.5 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.

Note 10 - Notes Payable

At December 31, 2004, the Township had a general obligation note outstanding in the amount of \$6,285 that was obtained to purchase a truck to be used for Township road maintenance. The note was paid in full in 2005.

Note 11 – Contingent Liabilities

Amounts grantor agencies pay to the Township are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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Auditor of State Betty Montgomery

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

Harrison Township
Vinton County
36793 Fairview Road
Ray, Ohio 45672

To the Board of Township Trustees:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Harrison Township, Vinton County, Ohio (the Township), as of and for the years ended December 31, 2005 and 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 22, 2006, wherein we noted the Township revised its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 34. We also noted the Township's financial transactions were processed using 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 conduct the audit of the Township because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Township's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the basic financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to the Township's management dated June 22, 2006, we reported an other matter involving the internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the Township's basic financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings as item 2005-001. In a separate letter to the Township's management dated June 22, 2006, we reported other matters related to noncompliance we deemed immaterial.

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Harrison Township
Vinton County
Independent Accountant's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

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

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

Betty Montgomery
Auditor of State

June 22, 2006

**HARRISON TOWNSHIP
VINTON COUNTY**

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

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

FINDING NUMBER 2005-001

Noncompliance Citation

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 clerk is attached thereto. The clerk must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a clerk'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 clerk can certify that both at the time that the contract or order was made ("then"), and at the time that the clerk is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Township can authorize the drawing of a warrant for the payment of the amount due. The Township has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts of less than \$3,000 may be paid by the clerk 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 – Clerks 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 clerk 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.

Ten percent of the transactions tested in 2004 and twenty-three percent of the transactions tested in 2005 were not certified by the Clerk at the time the commitment was incurred and there was no evidence that the Township followed the aforementioned exceptions. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

HARRISON TOWNSHIP
VINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2005 AND 2004
(Continued)

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

FINDING NUMBER 2005-001 (Continued)

Noncompliance Citation - Ohio Rev. Code Section 5705.41(D)(1) (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 improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Clerk 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 Section 5705.41(D) requires to authorize disbursements. The clerk should sign the certification at the time the Township incurs a commitment, and only when the requirements of Section 5705.41(D) are satisfied. The clerk should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:

In response to the audit report Noncompliance Citation concerning Ohio Revised Code Section 5705.41(D)(1) the Fiscal Officer will utilize more Then and Now Certificates for purchases made without proper Purchase Order Certification. The Fiscal Officer will also try to encourage the Trustees to acquire proper Purchase Order Certification **prior** to making purchases.

HARRISON TOWNSHIP
VINTON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2005 AND 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2001-40782-001	Ohio Rev. Code Section 5705.41(D) – Not certifying all purchase commitments.	No	Not Corrected; Repeated as Finding Number 2005-001.



**Auditor of State
Betty Montgomery**

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HARRISON TOWNSHIP

VINTON 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
AUGUST 3, 2006**