



Dave Yost • Auditor of State



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

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MONTGOMERY COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Harrison Township  
Montgomery County  
5945 North Dixie Drive  
Dayton, Ohio 45414

To the Board of Trustees:

### ***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, Montgomery County, Ohio (the Township), as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the 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 opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

**Opinion**

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, Montgomery County, Ohio, as of December 31, 2012 and 2011, and the respective changes in cash financial position and the respective budgetary comparison for the General, Road and Bridge, Police, Fire, TIF, and Waste (2011 only) Funds thereof for the years 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.

**Emphasis of Matter**

As discussed in Note 3 to the financial statements for 2011, during 2011, the Township has elected to change its financial presentation comparable to the requirements of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

As discussed in Note 3 to the financial statements for 2012, during 2012, the Township implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. 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 (assets), changes in net position (assets), and cost of services/net cost. 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 this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional 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 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 October 2, 2013 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

**Dave Yost**  
Auditor of State

October 2, 2013

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**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)**

This discussion and analysis of Harrison Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2012, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2012 are as follows:

- Net position of township activities decreased \$2,155,962, or approximately 19% change from the prior year. The fund that was affected the most was the General Fund due to reduction in property taxes and local government funding.
- The Township's general receipts are primarily property tax receipts. These receipts represent 51.8% of the total cash received for governmental activities during the year. Property tax receipts for 2012 decreased compared to 2011 due to foreclosures and property devaluations.
- Revenues are stated very cautiously and expenses are estimated on the high end. During 2012 all development plans were put on hold again due to the economy.

**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 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 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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**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 the cash basis accounting. The statement of net position presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares 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's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net position and the statement of activities, the Township has one type of activity:

**Governmental activities:** Most of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and property taxes 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 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. All of the Township's activities are reported as governmental funds.

**Governmental Funds** – 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, Road and Bridge, Police, Fire and TIF Funds. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**The Township as a Whole**

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

<b>Table 1</b>		
<b>Governmental Activities</b>		
	<b>2012</b>	<b>2011</b>
<b>Assets:</b>		
Cash and Cash Equivalents	\$9,352,495	\$11,508,457
Total Assets	9,352,495	11,508,457
<b>Net Position:</b>		
<b>Restricted:</b>		
Other Purposes	\$5,289,861	6,367,386
Capital Projects	8,393	
Pending Litigation	1,600,000	1,600,000
Unrestricted	2,454,241	3,541,071
Total Net Position	\$9,352,495	\$11,508,457

As mentioned previously, net position of governmental activities decreased \$2,155,962, or 19% during 2012. The primary reason contributing to the decrease in cash balances was:

- Decrease in property values
- Foreclosures

Table 2 reflects the changes in net position on a cash basis in 2012 and 2011

<b>Table 2</b>		
<b>Changes in Net Position</b>		
	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services & Sales	\$ 2,375,152	\$ 2,209,256
Operating Grants & Contributions	1,730,985	1,997,213
Capital Grants & Contributions	941,406	945,440
Total Program Receipts	5,047,543	5,151,909
<b>General Receipts:</b>		
Property & Other Local Taxes (including payment in lieu of taxes)	6,576,679	7,031,804
Grants and Entitlements not Restricted to specific programs	385,720	635,653
Fines & Forfeitures	14,410	14,371
Cable Franchise and Development Fees	161,161	159,003
Earnings on Investments	8,037	46,361
Miscellaneous	493,115	480,253
Total General Receipts	7,639,122	8,367,445
Total Receipts	12,686,665	13,519,354

(Continued)

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**Table 2  
Changes in Net Position  
(Continued)**

	<b>Governmental Activities</b>	
	<b>2012</b>	<b>2011</b>
<b>Disbursements:</b>		
General Government	2,390,387	1,832,697
Public Safety	8,463,464	8,434,732
Public Works	2,734,354	2,829,293
Health	9,400	6,090
Conservation – Recreation	47,841	141,772
Other	26,302	31,795
Capital Outlay	1,170,879	1,368,849
Total Disbursements	<u>14,842,627</u>	<u>14,645,228</u>
 Increase (Decrease) in Net Position	 (2,155,962)	 (1,125,874)
 Net Position, January 1	 11,508,457	 12,634,331
Net Position, December 31	<u>\$9,352,495</u>	<u>\$11,508,457</u>

Program receipts represent only 40% of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, restricted grant receipts for the construction of capital projects, and charges for services related to EMS and waste disposal.

General receipts represent 60% of the Township's total receipts, and of this amount, over 86% are property and other local taxes. Miscellaneous revenue make up the majority of the balance of the Township's other general receipts and are approximately 6%. 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 board members and fiscal officer, attorney fees, tax collection fees, and payroll. Public Safety are the costs of police and fire protection; Public Works are the costs of maintaining roads and bridges and trash removal. Conservation-Recreations are the costs of maintaining the parks and playing fields.

**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 public safety, which accounts for 57% of all governmental disbursements. General government and public works also represents a significant cost, about 16% and 18%. The next three 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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

(Table 3)  
**Governmental Activities**

	<b>Total Cost of Services 2012</b>	<b>Net Cost of Services 2012</b>	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>
General Government	\$ 2,390,387	\$1,808,997	\$ 1,832,697	\$1,752,697
Public Safety	8,463,464	6,579,408	8,434,732	6,058,287
Health	9,400	9,400	6,090	6,090
Conservation – Recreation	47,841	47,841	141,772	141,772
Public Works	2,734,354	152,257	2,829,293	133,829
Capital Outlay	1,170,879	1,170,879	1,368,849	1,368,849
Other	26,302	26,302	31,795	31,795
Total Expenses	<u>\$14,842,627</u>	<u>\$9,795,084</u>	<u>\$14,645,228</u>	<u>\$9,493,319</u>

The dependence upon property tax receipts is apparent as a significant amount of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$12,686,665 and disbursements \$14,842,627.

**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.

During 2012 the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were above original budgeted receipts due to conservative estimates.

In 2012, final disbursements were budgeted at \$4,802,932 while actual disbursements were \$2,506,107.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township keeps track of its capital assets and infrastructure by reporting it annually to the Township's insurance company; however, capital assets are not reported on the Township's financial statements.

**Debt**

At December 31, 2012, the Township had no outstanding debt.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Also, the Township is currently involved in litigation which prohibits the spending of approximately \$1,600,000.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(UNAUDITED)  
(Continued)**

**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 Deborah Merrick, Fiscal Officer, Harrison Township, 5945 N. Dixie Dr., Dayton, Ohio 45414.

HARRISON TOWNSHIP  
MONTGOMERY COUNTY

STATEMENT OF NET POSITION - CASH BASIS  
DECEMBER 31, 2012

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	\$9,352,495
Total Assets	<u>\$9,352,495</u>
<b>Net Position:</b>	
<b>Restricted for:</b>	
Capital Projects	8,393
Other Purposes	5,289,861
Pending Litigation	1,600,000
Unrestricted	2,454,241
Total Net Position	<u>\$9,352,495</u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Program Cash Receipts</u>			<b>Net (Disbursements) Receipts and Changes in Net Position</b>	
	<u>Cash Disbursements</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
<b>Current:</b>					
General Government	\$2,390,387		\$581,390		(\$1,808,997)
Public Safety	8,463,464	\$1,156,208	727,848		(6,579,408)
Public Works	2,734,354	1,218,944	421,747	\$941,406	(152,257)
Health	9,400				(9,400)
Conservation-Recreation	47,841				(47,841)
Other	26,302				(26,302)
Capital Outlay	1,170,879				(1,170,879)
Total Governmental Activities	<u>\$14,842,627</u>	<u>\$2,375,152</u>	<u>\$1,730,985</u>	<u>\$941,406</u>	<u>(9,795,084)</u>
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					169,163
Road and Bridge					1,163,821
Police					3,355,394
Fire					1,731,137
Payments in Lieu of Taxes					157,164
Grants and Entitlements not Restricted to Specific Programs					385,720
Fines and Forfeitures					14,410
Cable Franchise and Development Fees					161,161
Earnings on Investments					8,037
Miscellaneous					493,115
Total General Receipts					<u>7,639,122</u>
Change in Net Position					(2,155,962)
Net Position Beginning of Year					<u>11,508,457</u>
Net Position End of Year					<u>\$9,352,495</u>

See accompanying notes to the basic financial statements.



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**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2012**

	<b>General</b>	<b>Road and Bridge Fund</b>	<b>Police Fund</b>
<b>Assets:</b>			
Equity in Pooled Cash and Investments	\$4,054,241	\$651,484	\$336,832
Total Assets	4,054,241	651,484	336,832
<b>Fund Balances:</b>			
Restricted	1,600,000	651,484	336,832
Committed			
Unassigned	2,454,241		
Total Fund Balances	\$4,054,241	\$651,484	\$336,832

*See accompanying notes to the basic financial statements.*

<b>Fire Fund</b>	<b>TIF Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,605,889	\$1,457,415	\$1,246,634	\$9,352,495
<u>1,605,889</u>	<u>1,457,415</u>	<u>1,246,634</u>	<u>9,352,495</u>
1,605,889	1,457,415	1,209,197 37,437	6,860,817 37,437 2,454,241
<u>\$1,605,889</u>	<u>\$1,457,415</u>	<u>\$1,246,634</u>	<u>\$9,352,495</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Police Fund</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$169,163	\$1,163,821	\$3,355,394
Charges for Services			
Licenses, Permits and Fees	161,161		
Fines and Forfeitures	14,410		
Intergovernmental	967,045	168,787	479,090
Special Assessments			
Earnings on Investments	4,006		
Miscellaneous	21,620	64,657	306,259
Total Receipts	<u>1,337,405</u>	<u>1,397,265</u>	<u>4,140,743</u>
<b>Disbursements:</b>			
<b>Current:</b>			
General Government	2,390,387		
Public Safety			4,833,411
Public Works	10,000	1,254,637	
Health	9,400		
Conservation-Recreation	47,841		
Other	24,373		
Capital Outlay	24,106	254,446	
Total Disbursements	<u>2,506,107</u>	<u>1,509,083</u>	<u>4,833,411</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,168,702)</u>	<u>(111,818)</u>	<u>(692,668)</u>
Advances In	85,555		
Advances Out			
Transfers In			
Transfers Out	(43,317)		
Other Financing Sources	<u>39,634</u>		
Total Other Financing Sources (Uses)	<u>81,872</u>		
Net Change in Fund Balances	(1,086,830)	(111,818)	(692,668)
Fund Balances Beginning of Year	<u>5,141,071</u>	<u>763,302</u>	<u>1,029,500</u>
Fund Balances End of Year	<u>\$4,054,241</u>	<u>\$651,484</u>	<u>\$336,832</u>

*See accompanying notes to the basic financial statements.*

<b>Fire Fund</b>	<b>TIF Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,731,137	\$157,164	\$58,106	\$6,634,785
1,156,208		1,043,661	2,199,869
			161,161
			14,410
248,758		533,770	2,397,450
		175,283	175,283
		4,031	8,037
59,487		602,555	1,054,578
<u>3,195,590</u>	<u>157,164</u>	<u>2,417,406</u>	<u>12,645,573</u>
			2,390,387
3,630,053			8,463,464
		1,469,717	2,734,354
			9,400
			47,841
	1,929		26,302
1,554		890,773	1,170,879
<u>3,631,607</u>	<u>1,929</u>	<u>2,360,490</u>	<u>14,842,627</u>
<u>(436,017)</u>	<u>155,235</u>	<u>56,916</u>	<u>(2,197,054)</u>
			85,555
		(85,555)	(85,555)
		43,317	43,317
			(43,317)
		<u>1,458</u>	<u>41,092</u>
		(40,780)	41,092
(436,017)	155,235	16,136	(2,155,962)
<u>2,041,906</u>	<u>1,302,180</u>	<u>1,230,498</u>	<u>11,508,457</u>
<u>\$1,605,889</u>	<u>\$1,457,415</u>	<u>\$1,246,634</u>	<u>\$9,352,495</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$173,356	\$170,000	\$169,163	(\$837)
Licenses, Permits and Fees	99,906	140,000	161,161	21,161
Fines and Forfeitures	7,136	10,000	14,410	4,410
Intergovernmental	485,258	462,000	967,045	505,045
Earnings on Investments	2,141	25,000	4,006	(20,994)
Miscellaneous	119,174	32,000	21,620	(10,380)
<b>Total Receipts</b>	<u>886,971</u>	<u>839,000</u>	<u>1,337,405</u>	<u>498,405</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	4,088,116	4,515,272	2,390,387	2,124,885
Public Works	10,000	10,000	10,000	
Health	10,000	10,000	9,400	600
Conservation-Recreation	121,400	121,660	47,841	73,819
Other	65,000	65,000	24,373	40,627
Capital Outlay	81,000	81,000	24,106	56,894
<b>Total Disbursements</b>	<u>4,375,516</u>	<u>4,802,932</u>	<u>2,506,107</u>	<u>2,296,825</u>
<b>Excess of Receipts Over (Under) Disbursements</b>	<u>(3,488,545)</u>	<u>(3,963,932)</u>	<u>(1,168,702)</u>	<u>2,795,230</u>
<b>Other Financing Sources (Uses):</b>				
Transfers Out			(43,317)	(43,317)
Other Financing Sources		200,000	39,634	(160,366)
Advances In			85,555	85,555
Advances Out	(2,070,000)	(2,113,317)		2,113,317
<b>Total Financing Sources (Uses)</b>	<u>(2,070,000)</u>	<u>(1,913,317)</u>	<u>81,872</u>	<u>1,995,189</u>
<b>Net Change in Fund Balance</b>	<u>(5,558,545)</u>	<u>(5,877,249)</u>	<u>(1,086,830)</u>	<u>4,790,419</u>
<b>Fund Balance Beginning of Year</b>	<u>5,141,071</u>	<u>5,141,071</u>	<u>5,141,071</u>	
<b>Fund Balance End of Year</b>	<u>(\$417,474)</u>	<u>(\$736,178)</u>	<u>\$4,054,241</u>	<u>\$4,790,419</u>

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,100,000	\$1,100,000	\$1,163,821	\$63,821
Intergovernmental	70,000	70,000	168,787	98,787
Miscellaneous	70,000	70,000	64,657	(5,343)
Total Receipts	<u>1,240,000</u>	<u>1,240,000</u>	<u>1,397,265</u>	<u>157,265</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Works	1,385,825	1,413,032	1,254,637	158,395
Capital Outlay	292,000	266,686	254,446	12,240
Total Disbursements	<u>1,677,825</u>	<u>1,679,718</u>	<u>1,509,083</u>	<u>170,635</u>
Excess of Receipts Over (Under) Disbursements	<u>(437,825)</u>	<u>(439,718)</u>	<u>(111,818)</u>	<u>327,900</u>
Fund Balance Beginning of Year	<u>763,302</u>	<u>763,302</u>	<u>763,302</u>	
Fund Balance End of Year	<u><u>\$325,477</u></u>	<u><u>\$323,584</u></u>	<u><u>\$651,484</u></u>	<u><u>\$327,900</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
POLICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$3,521,286	\$3,521,286	\$3,355,394	(\$165,892)
Intergovernmental	90,270	90,270	479,090	388,820
Miscellaneous	86,730	86,730	306,259	219,529
Total Receipts	<u>3,698,286</u>	<u>3,698,286</u>	<u>4,140,743</u>	<u>442,457</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Safety	<u>5,000,454</u>	<u>5,000,904</u>	<u>4,833,411</u>	<u>167,493</u>
Total Disbursements	<u>5,000,454</u>	<u>5,000,904</u>	<u>4,833,411</u>	<u>167,493</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,302,168)</u>	<u>(1,302,618)</u>	<u>(692,668)</u>	<u>609,950</u>
Fund Balance Beginning of Year	<u>1,029,500</u>	<u>1,029,500</u>	<u>1,029,500</u>	
Fund Balance End of Year	<u><u>(\$272,668)</u></u>	<u><u>(\$273,118)</u></u>	<u><u>\$336,832</u></u>	<u><u>\$609,950</u></u>

*See accompanying notes to the basic financial statements.*



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,800,000	\$1,800,000	\$1,731,137	(\$68,863)
Charges for Services	700,000	700,000	1,156,208	456,208
Intergovernmental	180,000	180,000	248,758	68,758
Miscellaneous	50,000	50,000	59,487	9,487
Total Receipts	<u>2,730,000</u>	<u>2,730,000</u>	<u>3,195,590</u>	<u>465,590</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Safety	3,894,237	3,946,576	3,630,053	316,523
Capital Outlay	7,280	7,280	1,554	5,726
Total Disbursements	<u>3,901,517</u>	<u>3,953,856</u>	<u>3,631,607</u>	<u>322,249</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,171,517)</u>	<u>(1,223,856)</u>	<u>(436,017)</u>	<u>787,839</u>
Fund Balance Beginning of Year	<u>2,041,906</u>	<u>2,041,906</u>	<u>2,041,906</u>	
Fund Balance End of Year	<u><u>\$870,389</u></u>	<u><u>\$818,050</u></u>	<u><u>\$1,605,889</u></u>	<u><u>\$787,839</u></u>

See accompanying notes to the basic financial statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
TIF FUND  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$75,000	\$75,000	\$157,164	\$82,164
Total Receipts	<u>75,000</u>	<u>75,000</u>	<u>157,164</u>	<u>82,164</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Other	2,400	4,413	1,929	2,484
Total Disbursements	<u>2,400</u>	<u>4,413</u>	<u>1,929</u>	<u>2,484</u>
Excess of Receipts Over (Under) Disbursements	<u>72,600</u>	<u>70,587</u>	<u>155,235</u>	<u>84,648</u>
Fund Balance Beginning of Year	<u>1,302,180</u>	<u>1,302,180</u>	<u>1,302,180</u>	
Fund Balance End of Year	<u><u>\$1,374,780</u></u>	<u><u>\$1,372,767</u></u>	<u><u>\$1,457,415</u></u>	<u><u>\$84,648</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**1. REPORTING ENTITY**

Harrison Township, Montgomery County, Ohio (the Township), is a body politic and corporate established in 1841 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**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, road and bridge maintenance, zoning, community development, fire protection and emergency medical services. The Township contracts with Montgomery County Sheriff's Office for police protection.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township does not have any component units, which are legally separate organizations for which the Township is financially accountable.

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

The Township does not participate in any jointly governed organizations; however, the Township contracts with Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool who provides property and casualty coverage for its members. Note 7 to the financial statements provides additional information for this entity.

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

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 2C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. In the government-wide financial statements Financial Accounting 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. 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.

**1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions.

The statement of net position presents the cash and investment 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 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 is self-financing on a cash basis or draws from the Township's general receipts.

**2. 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. Non-major 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. All of the Township's funds are categorized as governmental.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**1. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds in 2012 were the General, Road and Bridge, Police, Fire and TIF Funds. 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 Township had the following major funds in addition to the General Fund as mentioned above.

**Road & Bridge Fund** – This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

**Police Fund** – This fund receives property tax money to provide police services in the Township.

**Fire Fund** – This fund receives property tax money and money for services rendered to provide fire-fighting and emergency medical services to the Township.

**Tax Increment Financing Fund** – This fund receives money for the development of The Executive Commercial Park.

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

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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 liabilities and the related expenses) 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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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's 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 certificated 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. 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."

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

Federal Home Loan Bank bonds and notes and certificates of deposit are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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.

Interest earnings are allocated to Township funds according to State statutes and grant requirements. Interest revenue credited to the General Fund during 2012 was \$4,006 and \$4,031 to other funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township is currently involved in litigation which prohibits the spending of approximately \$1,600,000.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. 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.

**H. Capital Assets**

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets 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.

**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 another financing source nor a capital outlay expenditure are reported at inception. Lease payments are reported when paid. The Township did not have any debt during 2012.

**L. Net Position**

Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for grants. Net position restricted for pending litigation is related to on-going litigation, which prohibits the Township from spending \$1,600,000.

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

**M. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Nonspendable** – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or law or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township did not have assigned fund balance during 2012.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For 2012, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” GASB Statement No. 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related note disclosures. These changes were incorporated in the Township’s 2012 financial statements; however, there was no effect on beginning net position/fund balance.



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**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, Road & Bridge, Police, Fire and TIF Funds 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 cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no encumbrances outstanding at December 31, 2012 for any fund.

**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 no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% 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;

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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)

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.

At year end, the Township had \$150 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**A. 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-ended December 31, 2011, the carrying amount of the Township's deposits was \$5,596,204 and the bank balance was \$5,664,834. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," \$1,465,367 was exposed to custodial risk as discussed below, while \$4,199,467 was covered by the federal depository insurance corporation.

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.

**B. Investments**

**Interest Rate Risk** – Arises because the fair value of investments changes as interest rates change. 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 requirement for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** – The Federal Home Loan Bank bonds and notes carry a rating of AAA by Standard and Poor's and STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bonds and Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Township’s name. The Township has no investment policy dealing with investment custodial credit risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

As of December 31, 2012, the Township had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>
FHLB Bonds and Notes	\$1,998,750			\$1,998,750
STAR Ohio	1,757,391	\$1,757,391	\$0	
Total Investments	\$3,756,141	\$1,757,391	\$0	\$1,998,750

**Concentration of Credit Risk** – The risk of loss attributed to the amount of a government’s investment in any one single issuer. The Township has no investment policy limiting the amount that may be invested in any one issuer.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility 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, 2012, 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 February 18, with the remainder payable by July 15. 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 property taxes received in 2012 became a lien on December 31, 2010, were levied after October 1, 2011 and were collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility 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 \$24.97 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:

<b>Real Property:</b>	
Residential/Agricultural	\$176,132,620
Commercial/Industrial/Mineral	102,017,900
Public Utility	6,973,870
Total Assessed Value	<u>\$285,124,390</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**7. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

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

**B. 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	<u>\$25,416,188</u>	<u>\$25,367,373</u>

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 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. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$36,000.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**7. RISK MANAGEMENT (Continued)**

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<u>Contributions to OTARMA</u>	
<u>2012</u>	<u>2011</u>
<u>\$53,905</u>	<u>\$53,779</u>

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

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

**8. DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

**Plan Description** – 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which 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 Pension 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. A copy of this report may be obtained by writing to OPERS at the following: 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**8. DEFINED BENEFIT PENSION PLAN (Continued)**

For the year ended December 31, 2012, OPERS members were required to contribute 10 percent of their annual covered salaries. The contribution rate for pension benefits for 2012 was 14 percent for state and local employer units. 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, 2012, 2011, and 2010 were \$258,678, \$262,743, and \$251,184 respectively, equal to required contributions for each year.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State Statute. The Township's contributions to the Fund for firefighters were \$303,610 for the year ended December 31, 2012, \$316,039 for the year ended December 31, 2011, and \$296,094 for the year ended December 31, 2010. The full amount has been contributed for 2012, 2011, and 2010.

**9. POST-EMPLOYMENT BENEFITS**

**A. 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 health care 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-retirement 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 ten 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*.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or 1-800-222-7377.

**Funding Policy** – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans 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. The 2012 Township employer contribution rate was 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011 (most recent information available). The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011 (most recent information available). The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township contributions to fund post-employment health care benefits for the years ended December 31, 2012, 2011, and 2010 were \$86,741, \$75,206, and \$85,402, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 through 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** – The Township contributes to the OP&F sponsored health care program, a cost sharing, multiple-employer defined, post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients, and their eligible dependents.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**9. POST-EMPLOYMENT BENEFITS (Continued)**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school; or under the age of 22, if attending school full-time or on a two-thirds basis. The health care coverage provided by OP&F meets the definition of Other Post-Employment Benefit (OPEB) as described in *GASB Statement 45*.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the Ohio Police & Fire Fund (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.00% of covered payroll for fire employers. The Ohio Revised Code states that the employer contribution may not exceed 24.00% of covered payroll for fire employers units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011 (most recent information available), the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's actual contributions that were used to fund post-employment benefits for firefighters for the years ending December 31, 2012, 2011, and 2010 were \$85,314, \$88,807, and \$83,202, respectively.



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

**10. FUND BALANCES**

Fund balance is classified as non-spendable, 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>Road &amp; Bridge Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>	<u>TIF Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Restricted for</b>							
Pending Litigation	\$1,600,000						\$1,600,000
Road and Bridge		\$651,484				\$ 894,123	1,545,607
Police Services			\$336,832				336,832
Fire Services				\$1,605,889			1,605,889
Waste Disposal						257,649	257,649
Lighting						49,032	49,032
OPWC Projects						8,393	8,393
Economic Development					\$1,457,415		1,457,415
Total Restricted	<u>1,600,000</u>	<u>651,484</u>	<u>336,832</u>	<u>1,605,889</u>	<u>1,457,415</u>	<u>1,209,197</u>	<u>6,860,817</u>
<b>Committed to:</b>							
Leave Pay Reserve						37,437	37,437
Total Committed						<u>37,437</u>	<u>37,437</u>
Unassigned (Deficit)	<u>2,454,241</u>						<u>2,454,241</u>
Total Fund Balances	<u>\$4,054,241</u>	<u>\$651,484</u>	<u>\$336,832</u>	<u>\$1,605,889</u>	<u>\$1,457,415</u>	<u>\$1,246,634</u>	<u>\$9,352,495</u>

**11. CONTINGENT LIABILITIES**

As of December 31, 2012, the Township is a defendant in legal proceedings. The Township is prohibited from spending \$1,600,000 until the proceedings are resolved. Although management cannot presently determine the outcome of these proceedings, they believe that the resolution of these matters could have a material adverse effect on the Township's financial condition.

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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**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)**

This discussion and analysis of Harrison Township's (the Township) financial performance provides an overall review of the Township's financial activities for the year ended December 31, 2011, within the limitations of the Township's cash basis of accounting. Readers should also review the basic financial statements and notes to enhance their understanding of the Township's financial performance.

**Highlights**

Key highlights for 2011 are as follows:

- Net assets of township activities decreased \$1,125,874 or 8.9% percent change from the prior year. The fund that was affected the most was the General Fund due to the large estate tax received in 2010.
- The Township's general receipts are primarily property taxes. These receipts represent 52 percent of the total cash received for governmental activities during the year. Property tax receipts for 2011 decreased compared to 2010 due to foreclosures and property devaluations.
- Revenues are estimated very cautiously and expenses are estimated on the high end. During 2011 all development plans were put on hold again due to the economy.

**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.

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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

**Reporting the Township as a Whole**

The statement of net assets and the statement of activities reflect how the Township did financially during 2011, within the limitations of the cash basis accounting. The statement of net assets presents the cash balances and investments of the governmental activities of the Township at year end. The statement of activities compares 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's property tax base, the condition of the Township's capital assets and infrastructure, the extent of the Township's debt obligations, the reliance on non-local financial resources for operations and the need for continued growth in the major local revenue sources such as property taxes.

In the statement of net assets and the statement of activities, the Township has one type of activity:

**Governmental activities:** All of the Township's basic services are reported here, including police, fire, streets and parks. State and federal grants and property taxes 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 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. All of the Township's activities are reported as governmental funds.

**Governmental Funds** – 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 General, Road and Bridge, Police, Fire, Waste Disposal, and TIF. The programs reported in governmental funds are closely related to those reported in the governmental activities section of the entity-wide statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

**The Township as a Whole**

Table 1 provides a summary of the Township's net assets for 2011 compared to 2010 on a cash basis:

<b>Table 1</b>		
	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Assets:</b>		
Cash and Investments	\$11,508,457	\$12,634,331
Total Assets	11,508,457	12,634,331
 <b>Net Assets:</b>		
<b>Restricted:</b>		
Other Purposes	6,367,386	6,557,468
Pending Litigation	1,600,000	
Unrestricted	3,541,071	6,076,863
Total Net Assets	\$11,508,457	\$12,634,331

As mentioned previously, net assets of governmental activities decreased \$1,125,874 or 8.9 percent during 2011. The primary reason contributing to the decrease in cash balances was:

- Decrease in property values
- Foreclosures

Table 2 reflects the changes in net assets on a cash basis from 2010 to 2011.

<b>Table 2 Changes in Net Asset</b>		
	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Receipts:</b>		
<b>Program Receipts:</b>		
Charges for Services & Sales	\$2,209,256	\$2,239,228
Operating Grants and Contributions	1,997,213	1,136,899
Capital Grants and Contributions	945,440	434,462
Total Program Receipts	5,151,909	3,810,589
<b>General Receipts:</b>		
Property & Other Local Taxes (including payment in lieu of taxes)	7,031,804	7,839,196
Grants and Entitlements not Restricted to specific programs	635,653	2,363,004
Fines & Forfeitures	14,371	
Cable Franchise and Development Fees	159,003	134,099
Earnings on Investments	46,361	358,393
Miscellaneous	480,253	473,739
Sale of Assets		108,656
Other Financing Sources		13,960
Total General Receipts	8,367,445	11,291,047
Total Receipts	13,519,354	15,101,636
		(Continued)

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

**Table 2  
Changes in Net Asset  
(Continued)**

	<b>Governmental Activities</b>	
	<b>2011</b>	<b>2010</b>
<b>Disbursements:</b>		
General Government	1,832,697	1,774,774
Public Safety	8,434,732	8,165,200
Public Works	2,829,293	2,808,342
Health	6,090	9,286
Conservation – Recreation	141,772	127,533
Other	31,795	104,881
Other Financing Uses		165,180
Capital Outlay	<u>1,368,849</u>	<u>839,851</u>
Total Disbursements	<u>14,645,228</u>	<u>13,995,047</u>
 Increase (Decrease) in Net Assets	 (1,125,874)	 1,106,589
 Net Assets, January 1	 <u>12,634,331</u>	 <u>11,527,742</u>
Net Assets, December 31	<u>\$11,508,457</u>	<u>\$12,634,331</u>

Program receipts represent 38 percent of total receipts and are primarily comprised of restricted intergovernmental receipts such as motor vehicle license and gas tax money, restricted grant receipts for the construction of capital projects, and charges for services related to EMS and waste disposal.

General receipts represent 62 percent of the Township's total receipts, and of this amount, over 91 percent are local taxes. Intergovernmental receipts make up the majority of the balance of the Township's other general receipts and are 9 percent of general 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 board members and fiscal officer, attorney fees, tax collection fees, payroll. Public Safety are the costs of police and fire protection; Public Works are the costs of maintaining roads and bridges and trash removal. Conservation-Recreations are the costs of maintaining the parks and playing fields.

**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 public safety, which accounts for 58 percent of all governmental disbursements. General government and public works also represents a significant cost, about 13 percent and 19 percent, respectively. The next three 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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

(Table 3)  
**Governmental Activities**

	<b>Total Cost of Services 2011</b>	<b>Net Cost of Services 2011</b>	<b>Total Cost of Services 2010</b>	<b>Net Cost of Services 2010</b>
General Government	\$ 1,832,697	\$1,752,697	\$ 1,774,774	\$ 1,740,215
Public Safety	8,434,732	6,058,287	8,165,200	6,443,640
Health	6,090	6,090	9,286	9,286
Conservation – Recreation	141,772	141,772	127,533	127,533
Public Works	2,829,293	133,829	2,808,342	1,188,334
Other Financing Uses			165,180	165,180
Capital Outlay	1,368,849	1,368,849	839,851	405,389
Other	31,795	31,795	104,881	104,881
<b>Total Expenses</b>	<b>\$14,645,228</b>	<b>\$9,493,319</b>	<b>\$13,995,047</b>	<b>\$10,184,458</b>

The dependence upon property tax receipts is apparent as a significant amount of governmental activities are supported through these general receipts.

**The Township's Funds**

Total governmental funds had receipts of \$13,604,909 and disbursements \$14,730,783.

**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.

During 2011 the Township amended its General Fund budget several times to reflect changing circumstances. Final budgeted receipts were equal to original budgeted receipts. Actual receipts were less than budgeted receipts.

In 2011, final disbursements were budgeted at \$4,589,135 while actual disbursements were \$2,023,101.

**Capital Assets and Debt Administration**

**Capital Assets**

The Township keeps track of its capital assets and infrastructure by reporting it annually to the Township's insurance company; however, capital assets are not reported on the Township's financial statements.

**Debt**

At December 31, 2011, the Township had no outstanding debt.

**Current Issues**

The challenge for all Governments is to provide quality services to the public while staying within the restrictions imposed by limited, and in some cases shrinking, funding. We rely heavily on local taxes and have very little industry to support the tax base. Also, the Township is currently involved in litigation which prohibits the spending of approximately \$1,600,000.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(UNAUDITED)  
(Continued)**

**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 Deborah Merrick, Fiscal Officer, Harrison Township, 5945 N. Dixie Dr., Dayton, Ohio 45414.



HARRISON TOWNSHIP  
MONTGOMERY COUNTY

STATEMENT OF NET ASSETS - CASH BASIS  
DECEMBER 31, 2011

	<u>Governmental Activities</u>
<b>Assets:</b>	
Equity in Pooled Cash and Investments	\$11,508,457
Total Assets	<u>11,508,457</u>
<b>Net Assets:</b>	
<b>Restricted for:</b>	
Other Purposes	6,367,386
Pending Litigation	1,600,000
Unrestricted	<u>3,541,071</u>
Total Net Assets	<u>\$11,508,457</u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>Program Cash Receipts</b>				<b>Net (Disbursements) Receipts and Changes in Net Assets</b>
	<b>Cash Disbursements</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>
<b>Governmental Activities:</b>					
<b>Current:</b>					
General Government	\$1,832,697		\$80,000		(\$1,752,697)
Public Safety	8,434,732	\$1,033,677	1,342,768		(6,058,287)
Public Works	2,829,293	1,175,579	574,445	\$945,440	(133,829)
Health	6,090				(6,090)
Conservation-Recreation	141,772				(141,772)
Other	31,795				(31,795)
Capital Outlay	1,368,849				(1,368,849)
<b>Total Governmental Activities</b>	<b>\$14,645,228</b>	<b>\$2,209,256</b>	<b>\$1,997,213</b>	<b>\$945,440</b>	<b>(9,493,319)</b>
<b>General Receipts:</b>					
<b>Property Taxes Levied for:</b>					
General Purposes					174,168
Road and Bridge					1,243,424
Police					3,530,865
Fire					1,831,951
Grants and Entitlements not Restricted to Specific Programs					635,653
Payments in Lieu of Taxes					251,396
Fines and Forfeitures					14,371
Cable Franchise and Development Fees					159,003
Earnings on Investments					46,361
Miscellaneous					480,253
<b>Total General Receipts</b>					<b>8,367,445</b>
Change in Net Assets					(1,125,874)
Net Assets Beginning of Year					12,634,331
Net Assets End of Year					<b>\$11,508,457</b>

See accompanying notes to the basic financial statements.

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**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF ASSETS AND FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Police Fund</u>	<u>Fire Fund</u>
<b>Assets:</b>				
Equity in Pooled Cash and Investments	\$5,141,071	\$763,302	\$1,029,500	\$2,041,906
Total Assets	<u>5,141,071</u>	<u>763,302</u>	<u>1,029,500</u>	<u>2,041,906</u>
<b>Fund Balances:</b>				
Restricted	1,600,000	763,302	1,029,500	2,041,906
Committed				
Non-spendable				
Unassigned	3,541,071			
Total Fund Balances	<u>\$5,141,071</u>	<u>\$763,302</u>	<u>\$1,029,500</u>	<u>\$2,041,906</u>

*See accompanying notes to the basic financial statements.*

<b>Waste Disposal Fund</b>	<b>TIF Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$309,620	\$1,302,180	\$920,878	\$11,508,457
<u>309,620</u>	<u>1,302,180</u>	<u>920,878</u>	<u>11,508,457</u>
309,620	1,302,180	797,886	7,844,394
		37,437	37,437
		85,555	85,555
			3,541,071
<u>\$309,620</u>	<u>\$1,302,180</u>	<u>\$920,878</u>	<u>\$11,508,457</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES - CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge Fund</u>	<u>Police Fund</u>
<b>Receipts:</b>			
Property and Other Local Taxes	\$174,168	\$1,243,424	\$3,530,865
Charges for Services			
Licenses, Permits and Fees	159,003		
Fines and Forfeitures	14,371		
Intergovernmental	715,653	316,599	893,777
Special Assessments			
Earnings on Investments	43,386		
Miscellaneous	51,670	121,262	263,823
Total Receipts	<u>1,158,251</u>	<u>1,681,285</u>	<u>4,688,465</u>
<b>Disbursements:</b>			
<b>Current:</b>			
General Government	1,832,697		
Public Safety			4,872,098
Public Works	10,000	1,295,286	
Health	6,090		
Conservation-Recreation	141,772		
Other	29,420		
Capital Outlay	3,122	221,944	
Total Disbursements	<u>2,023,101</u>	<u>1,517,230</u>	<u>4,872,098</u>
Excess of Receipts Over (Under) Disbursements	<u>(864,850)</u>	<u>164,055</u>	<u>(183,633)</u>
Advances In			
Advances Out	(85,555)		
Other Financing Sources	14,613		
Total Other Financing Sources (Uses)	<u>(70,942)</u>		
Net Change in Fund Balances	(935,792)	164,055	(183,633)
Fund Balances Beginning of Year	<u>6,076,863</u>	<u>599,247</u>	<u>1,213,133</u>
Fund Balances End of Year	<u>\$5,141,071</u>	<u>\$763,302</u>	<u>\$1,029,500</u>

*See accompanying notes to the basic financial statements.*

<b>Fire Fund</b>	<b>Waste Disposal Fund</b>	<b>TIF Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$1,831,951		\$251,396	\$58,428	\$7,090,232
1,033,677	1,005,489			2,039,166
				159,003
				14,371
448,991			640,115	3,015,135
			170,090	170,090
			2,975	46,361
27,297			504,744	968,796
<u>3,341,916</u>	<u>1,005,489</u>	<u>251,396</u>	<u>1,376,352</u>	<u>13,503,154</u>
				1,832,697
3,562,634				8,434,732
	1,069,548		454,459	2,829,293
				6,090
				141,772
		2,375		31,795
142,155			1,001,628	1,368,849
<u>3,704,789</u>	<u>1,069,548</u>	<u>2,375</u>	<u>1,456,087</u>	<u>14,645,228</u>
<u>(362,873)</u>	<u>(64,059)</u>	<u>249,021</u>	<u>(79,735)</u>	<u>(1,142,074)</u>
			85,555	85,555
				(85,555)
			1,587	16,200
			87,142	16,200
<u>(362,873)</u>	<u>(64,059)</u>	<u>249,021</u>	<u>7,407</u>	<u>(1,125,874)</u>
<u>2,404,779</u>	<u>373,679</u>	<u>1,053,159</u>	<u>913,471</u>	<u>12,634,331</u>
<u>\$2,041,906</u>	<u>\$309,620</u>	<u>\$1,302,180</u>	<u>\$920,878</u>	<u>\$11,508,457</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$195,000	\$195,000	\$174,168	(\$20,832)
Licenses, Permits and Fees	140,000	140,000	159,003	19,003
Fines and Forfeitures	10,000	10,000	14,371	4,371
Intergovernmental	462,000	462,000	715,653	253,653
Earnings on Investments	400,000	400,000	43,386	(356,614)
Miscellaneous	32,000	32,000	51,670	19,670
Total Receipts	<u>1,239,000</u>	<u>1,239,000</u>	<u>1,158,251</u>	<u>(80,749)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
General Government	4,175,798	4,222,369	1,832,697	2,389,672
Public Works	10,000	10,000	10,000	
Health	10,000	10,000	6,090	3,910
Conservation-Recreation	221,460	225,766	141,772	83,994
Other	65,000	65,000	29,420	35,580
Capital Outlay	56,000	56,000	3,122	52,878
Total Disbursements	<u>4,538,258</u>	<u>4,589,135</u>	<u>2,023,101</u>	<u>2,566,034</u>
Excess of Receipts Over (Under) Disbursements	<u>(3,299,258)</u>	<u>(3,350,135)</u>	<u>(864,850)</u>	<u>2,485,285</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources			14,613	14,613
Advances Out	<u>(2,070,000)</u>	<u>(2,155,555)</u>	<u>(85,555)</u>	<u>2,070,000</u>
ToTAL Other Financing Sources (Uses)	<u>(2,070,000)</u>	<u>(2,155,555)</u>	<u>(70,942)</u>	<u>2,084,613</u>
Net Change in Fund Balance	(5,369,258)	(5,505,690)	(935,792)	4,569,898
Fund Balance Beginning of Year	<u>6,076,863</u>	<u>6,076,863</u>	<u>6,076,863</u>	
Fund Balance End of Year	<u><u>\$707,605</u></u>	<u><u>\$571,173</u></u>	<u><u>\$5,141,071</u></u>	<u><u>\$4,569,898</u></u>

See accompanying notes to the basic financial statements.



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,442,523	\$1,442,523	\$1,243,424	(\$199,099)
Intergovernmental	50,400	61,623	316,599	254,976
Miscellaneous	19,600	23,603	121,262	97,659
Total Receipts	<u>1,512,523</u>	<u>1,527,749</u>	<u>1,681,285</u>	<u>153,536</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Works	1,476,248	1,492,973	1,295,286	197,687
Capital Outlay	402,000	402,000	221,944	180,056
Total Disbursements	<u>1,878,248</u>	<u>1,894,973</u>	<u>1,517,230</u>	<u>377,743</u>
Excess of Receipts Over (Under) Disbursements	<u>(365,725)</u>	<u>(367,224)</u>	<u>164,055</u>	<u>531,279</u>
<b>Other Financing Sources (Uses):</b>				
Other Financing Sources				
Net Change in Fund Balance	(365,725)	(367,224)	164,055	531,279
Fund Balance Beginning of Year	<u>599,247</u>	<u>599,247</u>	<u>599,247</u>	
Fund Balance End of Year	<u>\$233,522</u>	<u>\$232,023</u>	<u>\$763,302</u>	<u>\$531,279</u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
POLICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
<b>Receipts:</b>				
Property and Other Local Taxes	\$4,094,252	\$4,094,252	\$3,530,865	(\$563,387)
Intergovernmental	6,930	80,247	893,777	813,530
Miscellaneous	2,070	27,193	263,823	236,630
Total Receipts	<u>4,103,252</u>	<u>4,201,692</u>	<u>4,688,465</u>	<u>486,773</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Safety	5,225,435	5,323,875	4,872,098	451,777
Total Disbursements	<u>5,225,435</u>	<u>5,323,875</u>	<u>4,872,098</u>	<u>451,777</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,122,183)</u>	<u>(1,122,183)</u>	<u>(183,633)</u>	<u>938,550</u>
Fund Balance Beginning of Year	<u>1,213,133</u>	<u>1,213,133</u>	<u>1,213,133</u>	
Fund Balance End of Year	<u><u>\$90,950</u></u>	<u><u>\$90,950</u></u>	<u><u>\$1,029,500</u></u>	<u><u>\$938,550</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
FIRE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$2,125,881	\$2,125,881	\$1,831,951	(\$293,930)
Charges for Services	592,531	596,541	1,033,677	437,136
Intergovernmental	151,931	152,959	448,991	296,032
Miscellaneous	15,193	15,296	27,297	12,001
Total Receipts	<u>2,885,536</u>	<u>2,890,677</u>	<u>3,341,916</u>	<u>451,239</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Safety	4,198,195	4,212,861	3,562,634	650,227
Capital Outlay	174,100	174,100	142,155	31,945
Total Disbursements	<u>4,372,295</u>	<u>4,386,961</u>	<u>3,704,789</u>	<u>682,172</u>
Excess of Receipts Over (Under) Disbursements	<u>(1,486,759)</u>	<u>(1,496,284)</u>	<u>(362,873)</u>	<u>1,133,411</u>
Fund Balance Beginning of Year	<u>2,404,779</u>	<u>2,404,779</u>	<u>2,404,779</u>	
Fund Balance End of Year	<u><u>\$918,020</u></u>	<u><u>\$908,495</u></u>	<u><u>\$2,041,906</u></u>	<u><u>\$1,133,411</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
WASTE DISPOSAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>			<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Receipts:</b>				
Charges for Services	\$920,000	\$920,000	\$1,005,489	\$85,489
Total Receipts	<u>920,000</u>	<u>920,000</u>	<u>1,005,489</u>	<u>85,489</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Public Works	1,077,745	1,095,197	1,069,548	25,649
Total Disbursements	<u>1,077,745</u>	<u>1,095,197</u>	<u>1,069,548</u>	<u>25,649</u>
Excess of Receipts Over (Under) Disbursements	<u>(157,745)</u>	<u>(175,197)</u>	<u>(64,059)</u>	<u>111,138</u>
Fund Balance Beginning of Year	<u>373,679</u>	<u>373,679</u>	<u>373,679</u>	
Fund Balance End of Year	<u><u>\$215,934</u></u>	<u><u>\$198,482</u></u>	<u><u>\$309,620</u></u>	<u><u>\$111,138</u></u>

*See accompanying notes to the basic financial statements.*

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS  
TIF FUND  
FoOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		
<b>Receipts:</b>				
Property and Other Local Taxes	\$1,053,159	\$1,228,117	\$251,396	(\$976,721)
Total Receipts	<u>1,053,159</u>	<u>1,228,117</u>	<u>251,396</u>	<u>(976,721)</u>
<b>Disbursements:</b>				
<b>Current:</b>				
Other		2,375	2,375	
Total Disbursements		<u>2,375</u>	<u>2,375</u>	
Excess of Receipts Over (Under) Disbursements	<u>1,053,159</u>	<u>1,225,742</u>	<u>249,021</u>	<u>(976,721)</u>
Fund Balance Beginning of Year	<u>1,053,159</u>	<u>1,053,159</u>	<u>1,053,159</u>	
Fund Balance End of Year	<u><u>\$2,106,318</u></u>	<u><u>\$2,278,901</u></u>	<u><u>\$1,302,180</u></u>	<u><u>(\$976,721)</u></u>

*See accompanying notes to the basic financial statements.*

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**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**1. REPORTING ENTITY**

Harrison Township, Montgomery County, Ohio (the Township), is a body politic and corporate established in 1841 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 reporting entity is comprised of the primary government, component units and other organizations that were included to ensure that the financial statements are not misleading.

**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, road and bridge maintenance, zoning, community development, fire protection and emergency medical services. The Township contracts with Montgomery County Sheriff's Office for police protection.

**B. Component Units**

Component units are legally separate organizations for which the Township is financially accountable. The Township is financially accountable for an organization if the Township appoints a voting majority of the organization's governing board and (1) the Township is able to significantly influence the programs or services performed or provided by the organization; or (2) the Township is legally entitled to or can otherwise access the organization's resources; the Township is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide support to, the organization; or the Township is obligated for the debt of the organization. The Township is also financially accountable for any organizations that are fiscally dependent on the Township in that the Township approves their budget, the issuance of their debt or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the Township, are accessible to the Township and are significant in amount to the Township.

The Township does not have any component units, which are legally separate organizations for which the Township is financially accountable.

**C. Joint Ventures, Jointly Governed Organizations and Public Entity Risk Pools**

The Township does not participate in any jointly governed organizations; however, the Township contracts with Ohio Township Association Risk Management Authority (OTARMA), a public entity risk pool who provides property and casualty coverage for its members. Note 8 to the financial statements provides additional information for this entity.

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

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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 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. 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.

**1. 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. Governmental activities generally are financed through taxes, intergovernmental receipts or other non-exchange transactions.

The statement of net assets presents the cash and investment 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 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 is self-financing on a cash basis or draws from the Township's general receipts.

**2. 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. Non-major 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. All of the Township's funds are categorized as governmental.



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Governmental Funds**

The Township classifies funds financed primarily from taxes, intergovernmental receipts (e.g. grants), and other nonexchange transactions as governmental funds. The Township's major governmental funds in 2011 were the General, Road & Bridge, Waste Disposal, Police, Fire, and TIF Funds. 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 Township had the following major funds in addition to the General Fund as

**Road & Bridge** – This fund receives property tax money to pay for constructing, maintaining and repairing Township roads.

**Waste Disposal** – This fund receives waste fee receipts for garbage collection services provided to the residents of the Township.

**Police** – This fund receives property tax money to provide police services in the Township.

**Fire** – This fund receives property tax money and money for services rendered to provide fire-fighting and emergency medical services to the Township.

**Tax Increment Financing** – This fund receives money for the development of The Executive Commercial Park.

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

**C. Basis of Accounting**

The Township's financial statements are prepared using the cash basis of accounting. Except for modifications having substantial support, 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. Any such modifications made by the Township are described in the appropriate section in this note.

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 liabilities and the related expenses) 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.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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's 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 certificated 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. 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."

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

Federal Home Loan Bank bonds and notes are valued at cost. The investment in STAR Ohio (the State Treasurer's investment pool) is valued at amounts reported by the State Treasurer.

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, 2011.

Interest earnings are allocated to Township funds according to State statutes and grant requirements. Interest revenue credited to the General Fund during 2011 was \$43,386 and \$2,975 to other funds.

**F. Restricted Assets**

Cash, cash equivalents and investments are reported as restricted when limitations on their use change the nature or normal understanding of their use. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments, or imposed by law through constitutional provisions or enabling legislation. The Township is currently involved in litigation which prohibits the spending of approximately \$1,600,000.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. 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.

**H. Capital Assets**

Acquisition of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets 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 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**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 a capital outlay expenditure is reported at inception. Lease payments are reported when paid. The Township did not have any debt during 2011.

**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 grants. Net assets restricted for pending litigation is related to on-going litigation, which prohibits the Township from spending \$1,600,000.

The Township first applies restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net assets are available.

**M. 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. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**N. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the Township is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable** – The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

**Restricted** – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions.

**Committed** – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of Township Trustees. Those committed amounts cannot be used for any other purpose unless the Township Trustees remove or change the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – Amounts in the assigned fund balance classification are intended to be used by the Township for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute. The Township did not have assigned fund balance during 2011.

**Unassigned** – Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**3. CHANGE IN ACCOUNTING PRINCIPLE**

For 2011, the Township implemented Governmental Accounting Standards Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in the governmental funds. The implementation of GASB Statement No. 54 had no effect on previously reported fund balances.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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, Road & Bridge, Waste Disposal, Police, Fire and TIF Funds 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 cash basis are that outstanding year end encumbrances are treated as disbursements (budgetary basis) rather than as restricted, committed or assigned fund balance (cash basis). There were no encumbrances outstanding at December 31, 2011.

**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 no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

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).

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.

At year end, the Township had \$150 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents" on the financial statements.

**A. 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-ended December 31, 2011, the carrying amount of the Township's deposits was \$6,403,592 and the bank balance was \$6,622,069. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," \$4,039,771, was exposed to custodial risk as discussed below, while \$2,582,298 was covered by the federal depository insurance corporation.

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.

**B. Investments**

**Interest Rate Risk** – Arises because the fair value of investments changes as interest rates change. 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 requirement for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments.

**Credit Risk** – The Federal Home Loan Bank bonds and notes carry a rating of AAA by Standard and Poor's and STAR Ohio carries a rating of AAAM by Standard and Poor's. The Township's investment policy is limited to requiring compliance with state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**5. DEPOSITS AND INVESTMENTS (Continued)**

**Custodial Credit Risk** – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. Treasury Bonds and Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty’s trust department or agent but not in the Township’s name. The Township has no investment policy dealing with investment custodial credit risk beyond the requirements in ORC 135.14(M)(2) which states, “Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee.”

As of December 31, 2011, the Township had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>
FHLB Bonds and Notes	\$2,996,940			\$2,996,940
STAR Ohio	2,107,775	\$2,107,775		
Total Investments	\$5,104,715	\$2,107,775	\$0	\$2,996,940

**Concentration of Credit Risk** – The risk of loss attributed to the amount of a government’s investment in any one single issuer. The Township has no investment policy limiting the amount that may be invested in any one issuer.

**6. PROPERTY TAXES**

Property taxes include amounts levied against all real property and public utility real property located in the Township. Real property tax receipts received in 2011 represent the collection of 2010 taxes. Real property taxes received in 2011 were levied after October 1, 2010 on the assessed values as of January 1, 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 February 18, with the remainder payable by July 15. Under certain circumstances, State statute permits alternate payment dates to be established.

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

The full tax rate for all Township operations for the year ended December 31, 2011 was \$24.97 per \$1,000 of assessed value. The assessed values of real property, public utility property, and tangible personal property upon which 2011 property tax receipts were based are as follows:

<b>Real Property:</b>	
Residential/Agricultural	\$204,628,340
Commercial/Industrial/Mineral	120,190,080
Public Utility	6,794,880
Total Assessed Value	<u>\$331,613,300</u>

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**6. PROPERTY TAXES (Continued)**

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the Township. The County Auditor periodically remits to the Township its portion of the taxes collected.

**7. INTERFUND RECEIVABLES/PAYABLES**

The Township had an unpaid advance due to the general fund from the non-major OPWC other governmental fund in the amount of \$85,555 at year-end 2011. This is not reported on the Township's financial statements.

**8. RISK MANAGEMENT**

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

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

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. American Risk Pooling Consultants, Inc. (ARPCO), a division of York Insurance Services Group, Inc. (York), functions as the administrator of OTARMA and provides underwriting, claims, loss control, risk management, and reinsurance services for OTARMA. OTARMA is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

**A. Casualty and Property Coverage**

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2010, OTARMA retained \$350,000 for casualty claims and \$150,000 for property claims.

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

**B. Financial Position**

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

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



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

At December 31, 2011 and 2010, respectively, the liabilities above include approximately \$9.1 and \$9.9 million of estimated incurred claims payable. The assets above also include approximately \$8.6 and \$9.5 million of unpaid claims to be billed to approximately 938 member governments in the future, as of December 31, 2011 and 2010, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2011, the Township's share of these unpaid claims collectible in future years is approximately \$36,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b>Contributions to OTARMA</b>	
<b>2011</b>	<b>2010</b>
<u>\$53,779</u>	<u>\$47,118</u>

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

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

**9. DEFINED BENEFIT PENSION PLAN**

**A. Ohio Public Employees Retirement System**

**Plan Description** - 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional pension plan benefit. Member contributions, the investment of which is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. DEFINED BENEFIT PENSION PLAN (Continued)**

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension 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. A copy of this report may be obtained by writing to OPERS at the following: 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

For the year ended December 31, 2011, OPERS members were required to contribute 10 percent of their annual covered salaries. The contribution rate for pension benefits for 2011 was 14 percent for state and local employer units. 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, 2011, 2010, and 2009 were \$262,743 \$251,184 and \$239,224 respectively, equal to required contributions for each year.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The Township contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10 percent of their annual covered salary to fund pension obligations while the Township is required to contribute 24 percent for firefighters. Contributions are authorized by State Statute. The Township's contributions to the Fund for firefighters were \$316,039 for the year ended December 31, 2011, \$296,094 for the year ended December 31, 2010, and \$283,934 for the year ended December 31, 2009. The full amount has been contributed for 2011, 2010, and 2009.

**10. POST-EMPLOYMENT BENEFITS**

**A. 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 health care 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-retirement health care coverage.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling (614) 222-5601 or 1-800-222-7377.

**Funding Policy** - The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans 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. The 2011 Township employer contribution rate was 14 percent of covered payroll. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4.0% during calendar year 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% during calendar year 2011. The portion of employer contributions allocated to health care for the calendar year beginning January 1, 2012 remained the same, but they are subject to change based on Board action. Employers will be notified if the portion allocated to health care changes during calendar year 2012.

The OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township contributions to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$75,206, \$85,402, and \$98,082, respectively.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006 through 2008. These rate increases allowed additional funds to be allocated to the health care plan.

**B. Ohio Police and Fire Pension Fund**

**Plan Description** - The Township contributes to the OP&F sponsored health care program, a cost sharing, multiple-employer defined, post-employment health care plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients, and their eligible dependents.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. POST-EMPLOYMENT BENEFITS (Continued)**

The Ohio Police and Fire Pension Fund (OP&F) provides access to post-retirement health care coverage to any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school; or under the age of 22, if attending school full-time or on a two-thirds basis. The health care coverage provided by OP&F meets the definition of Other Post-Employment Benefit (OPEB) as described in *GASB Statement 45*.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the Plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

**Funding Policy** - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the Ohio Police & Fire Fund (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 24.00% of covered payroll for fire employers. The Ohio Revised Code states that the employer contribution may not exceed 24.00% of covered payroll for fire employers units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, the employer contribution allocated to the health care plan was 6.75% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Township's actual contributions that were used to fund post-employment benefits for firefighters for the years ending December 31, 2011, 2010, and 2009 were \$88,807, \$83,202, and \$79,785, respectively.

**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**11. FUND BALANCES**

Fund balance is classified as non-spendable, 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:

<b>Fund Balances</b>	<b>General</b>	<b>Road &amp; Bridge Fund</b>	<b>Police Fund</b>	<b>Fire Fund</b>	<b>Waste Disposal Fund</b>	<b>TIF Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<b>Non-spendable:</b>								
Advances							85,555	\$85,555
Total Non-spendable							85,555	85,555
<b>Restricted for:</b>								
Pending Litigation	\$1,600,000							1,600,000
Road and Bridge		\$763,302					741,958	1,505,260
Police Services			\$1,029,500					1,029,500
Fire Services				\$2,041,906				2,041,906
Waste Disposal					\$309,620			309,620
Lighting							55,928	55,928
Economic Development						\$1,302,180		1,302,180
Total Restricted	<u>1,600,000</u>	<u>763,302</u>	<u>1,029,500</u>	<u>2,041,906</u>	<u>309,620</u>	<u>1,302,180</u>	<u>797,886</u>	<u>7,844,394</u>
<b>Committed to:</b>								
Leave Pay Reserve							37,437	37,437
Total Committed							37,437	37,437
Unassigned (Deficit)	<u>3,541,071</u>							<u>3,541,071</u>
Total Fund Balances	<u>\$5,141,071</u>	<u>\$763,302</u>	<u>\$1,029,500</u>	<u>\$2,041,906</u>	<u>\$309,620</u>	<u>\$1,302,180</u>	<u>\$920,878</u>	<u>\$11,508,457</u>

**12. CONTINGENT LIABILITIES**

As of December 31, 2011, the Township is a defendant in legal proceedings. The Township is prohibited from spending \$1,600,000 until the proceedings are resolved. Although management cannot presently determine the outcome of these proceedings, they believe that the resolution of these matters could have a material adverse effect on the Township's financial condition.

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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# Dave Yost • Auditor of State

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

Harrison Township  
Montgomery County  
5945 North Dixie Drive  
Dayton, Ohio 45414

To the Board of Trustees:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Harrison Township, Montgomery County, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements and have issued our report thereon dated October 2, 2013 wherein we noted the Township uses a special purpose framework other than generally accepted accounting principles and the Township adopted provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. We also noted that during 2012, the Township implemented Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. 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. We consider finding 2012-001 described in the accompanying schedule of findings to be a material weakness.

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Phone: 937-285-6677 or 800-443-9274 Fax: 937-285-6688

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***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Entity's Response to Findings***

The Township's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the Township's response and, accordingly, we express no opinion on it.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

October 2, 2013



**HARRISON TOWNSHIP  
MONTGOMERY COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2012 AND 2011**

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

**FINDING NUMBER 2012-001**

**Material Weakness**

When designing the public office's system of internal control and the specific control activities, management should consider ensuring that accounting records are properly designed, and routinely performing analytical procedures to determine the reasonableness of financial data.

The Township lacked management oversight in the posting of financial activity and the preparation of the financial statements as illustrated by the following conditions:

Conditions related to preparation of the financial statements:

- The Township failed to classify the TIF fund as a major fund in the 2011 financial statements despite the fact that it met the major fund classification as described in GASB 34. The TIF fund had an ending fund balance of \$1,302,180, revenues totaling \$251,396, and disbursements totaling \$2,375. Because the TIF fund balance totaled more than 10% of total governmental fund balances, the fund should have been presented as a major fund on the financial statements. The Township has adjusted the financial statements for this error.
- The following errors were noted within the 2011 Statement of Activities and the Township adjusted the Statement:
  1. Advances should not be reported on the Statement; however, an \$85,555 advance was reported twice, once as an advance out and then again as other financing uses.
  2. The program revenue charges for services (public safety classification) were understated by \$1,033,677. This was incorrectly classified as a general revenue.
  3. The program revenue operating grants and contributions (general government classification) was understated by \$80,000.
  4. The program revenue operating grants and contributions (public safety classification) was understated by \$1,342,768.
  5. The program revenue operating grants and contributions (public works classification) was understated by \$574,445.
  6. The general revenue property and other local taxes were overstated by \$788,331.
  7. The general revenue unrestricted grants and entitlements were overstated by \$1,208,883.
  8. The general revenue miscellaneous classification was understated by \$16,200.
  9. The Statement did not calculate correctly. The addition in the Statement was corrected.
- The Township's Statement of Net Assets was not reported correctly for 2011 and 2012 and was adjusted accordingly. Additionally, due to pending litigation, the Township was required to restrict \$1,600,000 in the general fund for both 2011 and 2012. However, this amount was not properly classified by the Township as restricted on the statement of net assets for 2011 or 2012. The Township adjusted the financial statements for this restriction.
- The Township's Statement of Assets and Fund Balances did not meet GASB 54 requirements for 2012 and was adjusted accordingly. Additionally, at year-end 2011, the Township had an unpaid advance in the amount of \$85,555, due to the General fund, from other governmental funds. This was included in the restricted fund balance of other governmental funds on the Statement of Assets and Fund Balances; however, this unpaid advance should have been reported as non-spendable fund balance. The Township adjusted the financial statements for this error.

**FINDING NUMBER 2012-001**  
**(Continued)**

- The Township's budgetary statements were generated automatically by its accounting system; however, budgeted revenue amounts that were entered into the accounting system were not in agreement with the official and amended certificates of estimated resources. This resulted in many adjusted and unadjusted errors in the original and final budgeted revenue amounts of the budgetary statements.
- The following errors were noted within the 2012 Statement of Activities and were required to be adjusted:
  1. Advances and transfers should not be reported on the Statement; however, an \$85,555 advance and \$43,317 transfer were both reported twice, once as an advance/transfer out and then again as other financing uses. Additionally, the corresponding \$43,317 transfer in was reported, but should not have been.
  2. The program revenue charges for services (public safety classification) were understated by \$1,156,208. This was incorrectly classified as a general revenue.
  3. The program revenue operating grants and contributions (general government classification) was understated by \$581,390.
  4. The program revenue operating grants and contributions (public safety classification) was understated by \$727,848.
  5. The program revenue operating grants and contributions (public works classification) was understated by \$421,747.
  6. The general revenue property and other local taxes were overstated by \$58,041.
  7. The general revenue unrestricted grants and entitlements were overstated by \$1,091,490.
  8. The general revenue miscellaneous was overstated by \$540,297
  9. The Statement did not calculate correctly. The addition in the Statement was corrected.

Conditions related to the posting of financial activity:

- The Township misclassified tangible personal property tax loss reimbursement incorrectly as taxes revenue in 2011 and 2012. This revenue should be posted as intergovernmental revenue. For 2011, the amounts were \$23,671 for the General Fund, \$132,408 for the Road and Bridge Fund, \$370,964 for the Police Fund, and \$177,530 for the Fire Fund. For 2012, the amounts were \$17,395 for the General Fund, \$77,736 for the Road and Bridge Fund, \$272,620 for the Police Fund, and \$130,466 for the Fire Fund. These errors were adjusted for the Road and Bridge Fund and Police Fund for 2011.
- The Township misclassified a local government receipt in the amount of \$25,330 as taxes revenue in 2011. This revenue should be posted as intergovernmental revenue. The financial statements were not corrected for this misclassification.
- The Township misclassified various revenues as miscellaneous revenue. In 2011 and 2012, \$440,696 and \$338,851, respectively, in Ohio Public Works Commission funds should have been recorded as intergovernmental revenue. This error required an audit adjustment. In 2011, \$79,716 in weed and nuisance abatement revenue should have been recorded as special assessments in the road and bridge fund. In 2012, \$16,921 in false alarm revenue should have been recorded as special assessments in the police fund. In 2012, various intergovernmental revenue sources in the amount of \$581,390 were incorrectly posted as miscellaneous revenue in the general fund.

**FINDING NUMBER 2012-001  
(Continued)**

- In 2011, the Township reported \$14,613 and \$87,143 in the general fund and other governmental funds, respectively, as other financing sources, and \$85,555 in the general fund as other financing uses. The specific type of other financing sources and uses should be shown on the financial statements. This resulted in an adjustment to report \$85,555 of other financing uses as advances out in the general fund, and the same amount in other financing sources as advances in in the other governmental funds. In 2012, the Township reported \$125,188 and \$44,775 in the general fund and other governmental funds, respectively, as other financing sources and \$43,317 and \$85,555 in the general fund and other governmental funds, respectively, as other financing uses. This resulted in an adjustment to report \$85,555 of other financing sources as advances out in the general fund, and the same amount in other financing uses as advances in in the other governmental funds. This also resulted in an adjustment to report \$43,317 in other financing uses as transfers out in the general fund, and the same amount of other financing sources as transfers in in the other governmental funds.

Additionally, the Township's notes to the financial statements and management's discussion and analysis for 2011 and 2012 contained many errors that resulted in significant modifications.

The Township should develop procedures to ensure that all financial statements, notes to the financial statements, and management's discussion and analysis (if presented) are properly completed and reviewed for accuracy. Failure to do so could result in increased audit costs and the annual report portraying an inaccurate picture of the Township's financial activities. If the Township continues to report on the OCBOA 34 accounting basis in the future, the Fiscal Officer should consider attending OCBOA 34 training, if available.

**Officials' Response:**

- TIF Fund – the Township has spoken to the company that supplies their accounting software and has remedied the major fund classifications for future financial statements.
- The Township believes that all other errors in the financial statements are due to improper coding in their accounting software and are taking steps to rectify this situation with the software company.
- The Township Fiscal Officer has searched for OCBOA 34 training on the State Auditor's website and at past local conferences but has not found any available. If such classes are made available, the Township Fiscal Officer will attend.

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# Dave Yost • Auditor of State

**HARRISON TOWNSHIP**

**MONTGOMERY COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 12, 2013**