

CITY OF HARRISON, OHIO

Basic Financial Statements

Year Ended December 31, 2010

With Accountant's Compilation Report

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To the City Council
City of Harrison, Ohio:

We have compiled the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Harrison, Ohio, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with accounting principles generally accepted in the United States of America.

The management of the City of Harrison, Ohio, is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist the management of the City of Harrison, Ohio, in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

The management's discussion and analysis, on pages 3 through 11, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have compiled the supplementary information from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or provide any assurance on the supplementary information.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
May 31, 2011

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CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

The discussion and analysis of the City of Harrison, Ohio's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2010. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for the year ended December 31, 2010 are as follows:

- Total net assets decreased by \$188,602 which represents approximately 2% of the net assets at the beginning of 2010. A decrease of \$271,269 was reported in governmental activities and an increase of \$82,667 was reported in business-type activities.
- Total assets of governmental activities at December 31, 2010 decreased by \$265,569 from those reported one year prior due primarily to the decrease in cash from expenses being higher than revenues. Long-term liabilities of the governmental activities decreased by approximately \$217,000 due to the repayment of scheduled debt service requirements.
- Overall, the net assets of the City's business-type activities increased by \$82,667. Long-term liabilities of the business-type activities increased by approximately \$5.0 million due primarily to the issuance of general obligation sewer bonds that were used to retire outstanding notes for sewer improvements. The ending unrestricted net assets of all business-type activities funds was \$5,932,440 at December 31, 2010.
- The \$973,409 unreserved, undesignated ending fund balance reported in the General Fund represents 17% of the total expenditures and transfers out reported in the General Fund for 2010.
- On a budgetary basis, the General Fund realized a decrease in fund balance of \$295,252, which includes encumbrances of \$21,642. Ending budgetary fund balance at December 31, 2010 was approximately 8% of the General Fund's annual expenditures including transfers.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Harrison, Ohio as a financial whole. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. Major fund financial statements provide the next level of detail. For governmental funds, these financial statements tell how services were financed in the short-term as well as the amount of funds available for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Reporting the City as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector companies. All current year revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements should take into account non-financial factors that also impact the City's financial well being. Some of these factors include the City's tax base and the condition of its capital assets. In the Statement of Net Assets and the Statement of Activities, the financial information of the City is divided into two kinds of activities:

- Governmental Activities – Most of the City's services are reported here including police and fire protection, parks and recreation, street repair and maintenance, and general government.
- Business-Type Activities – These activities include the water, sewer, marina and storm water operations where the fees charged for these services are based upon the amount of usage and the intent is to recoup operational costs through the user fees.

Reporting the City's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about each major fund. The major funds of the City include the General, Fire Improvement, Water and Sewer funds. The City uses many funds to account for a multitude of financial transactions. However, the focus of the fund financial statements is on the City's most significant funds, and therefore only the major funds are presented in separate columns. All other funds are combined into one column for reporting purposes.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Governmental Funds

Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to our residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Proprietary Funds

The City maintains one type of proprietary funds; enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, storm water, sanitation and water/wastewater deposit management functions. The City charges citizens for the services it provides, with the intent of recouping operating costs.

Fiduciary Funds

The financial activity of custodial funds, for which the City acts as the fiscal agent, is reported separately in the Statement of Assets and Liabilities. This financial activity is excluded from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring the assets reported in these funds are used for their intended purposes. Agency funds are the only fiduciary fund type used by the City.

The City as a Whole

Recall that the Statement of Net Assets provides the perspective of the City as a whole. In the case of the City of Harrison, Ohio, assets exceeded liabilities by a total of \$24.5 million at December 31, 2010.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Table 1 provides a summary of the City's net assets for 2010 compared to 2009:

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 7,827,005	8,011,766	7,865,878	8,583,929	15,692,883	16,595,695
Capital assets	14,496,661	14,577,469	36,114,301	35,473,076	50,610,962	50,050,545
Total assets	<u>22,323,666</u>	<u>22,589,235</u>	<u>43,980,179</u>	<u>44,057,005</u>	<u>66,303,845</u>	<u>66,646,240</u>
Long-term liabilities	7,182,714	7,399,282	30,679,285	25,750,163	37,861,999	33,149,445
Other liabilities	<u>3,504,108</u>	<u>3,281,840</u>	<u>412,700</u>	<u>5,501,315</u>	<u>3,916,808</u>	<u>8,783,155</u>
	<u>10,686,822</u>	<u>10,681,122</u>	<u>31,091,985</u>	<u>31,251,478</u>	<u>41,778,807</u>	<u>41,932,600</u>
Net assets:						
Invested in capital assets, net of related debt	8,613,002	8,700,582	6,955,754	8,017,742	15,568,756	16,718,324
Restricted	2,125,501	2,308,118	-	-	2,125,501	2,308,118
Unrestricted	<u>898,341</u>	<u>899,413</u>	<u>5,932,440</u>	<u>4,787,785</u>	<u>6,830,781</u>	<u>5,687,198</u>
Total net assets	\$ <u>11,636,844</u>	<u>11,908,113</u>	<u>12,888,194</u>	<u>12,805,527</u>	<u>24,525,038</u>	<u>24,713,640</u>

As displayed in Table 1, total net assets of the City decreased by \$188,602 from 2009 to 2010. This was due primarily to the decrease in cash in both the governmental and business-type activities. During 2010, the City's total revenues increased by approximately 5% while total expenses decreased 11%. Even though this did not lead to an overall increase in net assets, it was a significantly lower decrease in net assets when compared to 2009.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 76% of total assets. Capital assets include land, construction in progress, land improvements, building and improvements, equipment, vehicles and infrastructure. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net assets, \$2,125,501 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$6,830,781 may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Table 2 shows the changes in the governmental and business-type net assets for the year ended December 31, 2010 compared with the prior year.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	\$ 1,399,559	1,055,322	4,657,694	4,223,836	6,057,253	5,279,158
Operating grants and contributions	877,907	896,275	-	8,047	877,907	904,322
Capital grants and contributions	-	265,063	-	-	-	265,063
Total program revenues	2,277,466	2,216,660	4,657,694	4,231,883	6,935,160	6,448,543
General revenues:						
Income taxes	2,927,295	2,322,063	-	-	2,927,295	2,322,063
Property and other taxes	2,966,380	2,860,771	-	-	2,966,380	2,860,771
Grants and contributions not restricted to specific programs	603,081	1,013,554	-	-	603,081	1,013,554
Investment earnings	56,698	67,215	2,233	125,410	58,931	192,625
Miscellaneous	99,419	151,696	19,172	13,472	118,591	165,168
Total general revenues	6,652,873	6,415,299	21,405	138,882	6,674,278	6,554,181
Total revenues	8,930,339	8,631,959	4,679,099	4,370,765	13,609,438	13,002,724
Expenses:						
Security of persons and property	5,841,459	6,743,223	-	-	5,841,459	6,743,223
Public health services	339,855	400,154	-	-	339,855	400,154
Leisure time activities	315,334	369,208	-	-	315,334	369,208
Community and economic development	138,115	150,035	-	-	138,115	150,035
Transportation	971,886	889,189	-	-	971,886	889,189
General government	1,299,480	1,526,678	-	-	1,299,480	1,526,678
Interest on long-term debt	295,479	230,125	-	-	295,479	230,125
Water	-	-	1,387,114	1,826,364	1,387,114	1,826,364
Sewer	-	-	2,653,586	2,931,737	2,653,586	2,931,737
Storm water	-	-	129,183	50,123	129,183	50,123
Water/wastewater deposit	-	-	3,098	1,824	3,098	1,824
Sanitation	-	-	423,451	434,487	423,451	434,487
Total expenses	9,201,608	10,308,612	4,596,432	5,244,535	13,798,040	15,553,147
Change in net assets	\$ (271,269)	(1,676,653)	82,667	(873,770)	(188,602)	(2,550,423)

As noted in the table above, the City's municipal income tax revenue reported for 2010 was approximately \$600,000 more and charges for services was approximately \$800,000 more than that reported for 2009. The increase in income taxes was mainly a result of increased collections. The City has experienced growth in residential areas as well as business. This has also resulted in more property taxes being collected. Charges for services increased in the water and sewer funds due to rate increases. 2010 was the third year of a five year rate increase. In governmental activities charges for services were increased primarily due to an increase in collections of EMS charges. The decrease in expenses is mostly the result of management's efforts to control costs.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Governmental Activities

Table 3 shows the percentage of total expenses each functional area comprises, the net cost of each functional area and the percentage of each functional area expenses financed with general revenue for 2010.

Table 3
Governmental Activities

	Total Cost of Services		Program Revenues		Net Cost of Services	
	2010	2009	2010	2009	2010	2009
Security of persons and property	\$ 5,841,459	6,743,223	921,454	935,882	4,920,005	5,807,341
Public health services	339,855	400,154	153,267	229,171	186,588	170,983
Leisure time activities	315,334	369,208	175,470	74,981	139,864	294,227
Community and economic development	138,115	150,035	47,195	152,332	90,920	(2,297)
Transportation	971,886	889,189	592,144	727,215	379,742	161,974
General government	1,299,480	1,526,678	387,936	97,079	911,544	1,429,599
Interest on long-term debt	295,479	230,125	-	-	295,479	230,125
Total cost of services	\$ <u>9,201,608</u>	<u>10,308,612</u>	<u>2,277,466</u>	<u>2,216,660</u>	<u>6,924,142</u>	<u>8,091,952</u>

As indicated by Table 3, the City is spending the majority of its resources (88 percent) on security of persons and property, transportation and general government activities. While the operation of the police department is 63 percent of total program expenses, revenues generated by the department cover only 16 percent of functional expenses. This means that general revenues collected by the City, principally municipal income taxes and property taxes, must cover the remaining 84 percent of those departmental expenses. General government functions, principally legislation and administration, comprise 14 percent of the total governmental expenses. Court costs and fees generated by licenses and permits financed approximately 30 percent of the general government functional expenses while the remaining 70 percent comes from general revenue sources. Operating grants received from the State of Ohio provided funding for approximately 61 percent of the expenses incurred in the transportation function.

Business-Type Activities

The City's business-type activities include water, sewer, storm water, sanitation and water/wastewater deposit enterprise funds.

Overall, the City's business-type activities generated \$4,657,694 in program revenue during 2010, while program expenses were \$4,596,432, which generated an increase in net assets of \$82,667. This is primarily due to an increase in water and sewer rates coupled with less operating expenses during 2010.

The City's Funds

Information about the City's major governmental funds begins after the Statement of Activities. These funds are reported using the modified accrual basis of accounting. Governmental funds had total revenues of \$8.9 million, expenditures of \$9.7 million, and net other financing sources of approximately \$390,000. During 2010, total fund balance of the governmental funds decreased by \$491,153 to an ending total fund balance of \$3.5 million at year end. While capital assets are included in the statement of net assets, expenditures are recognized in the fund statements thereby reducing the amount of resources available for future spending. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

The City's General Fund realized a decrease of \$430,623 in fund balance during 2010. The General Fund is the primary fund that finances government services to citizens. A decrease in expenditures over 2009 due to conservative spending helped lessen the decrease, but revenues were not sufficient to cover expenditures and an operating transfer to the Fire Improvement Fund. The City continues to work toward maintaining a healthy General Fund balance in an attempt to provide stability in years in which revenues cannot support spending levels. At December 31, 2010 the ending unreserved and undesignated fund balance of the General Fund was \$973,409 or 17 percent of the total General Fund expenditures and transfers reported for 2010.

The City's other major fund; the Fire Improvement Fund reported a net change in fund balances of \$332,728. The increase in the Fire Improvement Fund was due to an operating transfer from the General Fund. Proceeds from a capital lease and the related expenditure were also recorded for the purchase of two emergency medic units. The City also issued short-term renewal notes for operations in the amount of \$400,000. This created a deficit unreserved fund balance of \$282,650 at December 31, 2010. The General Fund provides transfers to cover fund deficit balances; however, this is done when cash is needed not when accrual occur. All other governmental fund balances decreased by \$491,153 during 2010.

Explanation of the changes in the major enterprise funds of the City follow the same explanations as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same accounting basis used in the City-wide statements.

General Fund Budgeting Highlights

The City's budget is adopted on a fund basis. Before the budget is adopted, Council reviews the budgets of each department within the General Fund and other funds, and then adopts the budget on a fund basis. During 2010, the City amended its original budgetary amounts several times as certain information became known. Within each departmental budget, the Finance Director may make small line item adjustments within the budget, as long as the total operational and maintenance amount does not exceed their budgetary allotment.

No changes were made to the General Fund's budgeted revenues during 2010. Budgeted expenditures increased slightly by \$2,441.

Due to the City's continuing efforts to control expenditures, actual budgetary expenditures came in \$167,664 less than the \$3.9 million included in the final budget for 2010.

Budgetary fund balance at December 31, 2010 was \$434,816 million compared to the \$455,144 million anticipated in the final 2010 budget.

Capital Assets

At the end of fiscal year 2010, the City had a total of \$67.7 million invested in capital assets less accumulated depreciation of \$17.1 million resulting in total capital assets, net of accumulated depreciation of \$50.6 million.

The City continued its efforts to upgrade its capital assets during 2010. The City acquired two emergency medic units through a lease-purchase, as well as increased construction in progress for the Dry Fork Run Sewer Project in the amount of \$1.8 million. \$6.2 million of construction in progress was completed and transferred to infrastructure during 2010.

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Table 4 shows 2010 balances compared to those of 2009:

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ 3,015,891	3,015,891	485,420	485,420	3,501,311	3,501,311
Construction in progress	20,000	2,199,554	3,542,688	5,608,710	3,562,688	7,808,264
Land improvements	128,248	162,911	-	-	128,248	162,911
Buildings and improvements	2,306,776	2,383,536	7,239,092	7,438,563	9,545,868	9,822,099
Equipment	299,907	349,525	3,735,014	4,194,346	4,034,921	4,543,871
Vehicles	1,207,188	1,113,702	100,919	119,994	1,308,107	1,233,696
Infrastructure	7,518,651	5,352,350	21,011,168	17,626,043	28,529,819	22,978,393
Totals	\$ <u>14,496,661</u>	<u>14,577,469</u>	<u>36,114,301</u>	<u>35,473,076</u>	<u>50,610,962</u>	<u>50,050,545</u>

Accumulated depreciation of \$4.6 million and \$12.5 million is reported in the governmental activities and business-type activities respectively. Additional information on the City's capital assets can be found in Note 8 to the basic financial statements.

Debt Administration

At December 31, 2010, the City had a total of \$36.8 million of long-term debt obligations compared with \$32.2 million reported at December 31, 2009. Table 5 shows outstanding debt obligations of the City at December 31, 2010 compared with 2009:

TABLE 5
Outstanding Long-term Debt Obligations at Year end

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	\$ 3,905,000	4,085,000	5,860,000	390,000	9,765,000	4,475,000
Capital Leases	1,260,466	1,169,821	15,183	29,509	1,275,649	1,199,330
OPWC Loans	921,275	894,080	1,958,297	2,071,635	2,879,572	2,965,715
ODOT Loans	401,713	467,943	-	-	401,713	467,943
OWDA Loans	-	-	5,956,905	5,996,693	5,956,905	5,996,693
Revenue Bonds	-	-	16,520,000	17,070,000	16,520,000	17,070,000
Total	\$ <u>6,488,454</u>	<u>6,616,844</u>	<u>30,310,385</u>	<u>25,557,837</u>	<u>36,798,839</u>	<u>32,174,681</u>

CITY OF HARRISON, OHIO
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Unaudited)

Of the City's general obligation bonds outstanding at December 31, 2010, \$3.9 million are accounted for within the governmental activities and the remaining \$5.9 million are reported in the Sewer Fund. Revenue bonds are recorded in the Sewer Fund and are paid with charges for services of that fund.

OPWC loans represent interest-free loans from the State of Ohio and are paid from general revenues of the General Fund and from charges for services in the Sewer and Storm Water Funds. The OWDA loans outstanding at year-end are associated with the City's Water enterprise fund and is paid with the revenue sources of that fund.

See Notes 13 and 14 of the notes to the basic financial statements for more detailed information on the debt obligations of the City.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department at City of Harrison, Ohio, 300 George Street, Harrison, Ohio 43030.

CITY OF HARRISON, OHIO

Statement of Net Assets

December 31, 2010

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in pooled cash and investments	\$ 3,335,457	4,750,654	8,086,111
Cash in segregated accounts	10,408	-	10,408
Receivables:			
Property and other taxes	2,512,487	-	2,512,487
Payment in lieu of taxes	258,323	-	258,323
Income taxes	656,865		656,865
Accounts	69,847	429,392	499,239
Intergovernmental	486,543	-	486,543
Prepaid items	78,270	17,776	96,046
Materials and supplies inventory	22,573	86,493	109,066
Internal balances	311,936	(311,936)	-
Deferred charges	84,296	710,034	794,330
Restricted cash and investments with fiscal age	-	2,183,465	2,183,465
Non-depreciable capital assets	3,035,891	4,028,108	7,063,999
Depreciable capital assets, net	11,460,770	32,086,193	43,546,963
Total assets	<u>22,323,666</u>	<u>43,980,179</u>	<u>66,303,845</u>
Liabilities			
Accounts payable	78,301	128,383	206,684
Accrued salaries	79,689	10,234	89,923
Intergovernmental payable	279,948	11,640	291,588
Unearned revenue	2,604,843	-	2,604,843
Accrued interest payable	61,327	262,443	323,770
Notes payable	400,000	-	400,000
Long-term liabilities:			
Due within one year	592,297	1,224,863	1,817,160
Due in more than one year	6,590,417	29,454,422	36,044,839
Total liabilities	<u>10,686,822</u>	<u>31,091,985</u>	<u>41,778,807</u>
Net Assets			
Invested in capital assets, net of related debt	8,613,002	6,955,754	15,568,756
Restricted for:			
Capital projects	463,089	-	463,089
Debt service	349,409	-	349,409
Streets and Highways	618,134	-	618,134
Recreation	441,070	-	441,070
Other purposes	253,799	-	253,799
Unrestricted	898,341	5,932,440	6,830,781
Total net assets	<u>\$ 11,636,844</u>	<u>12,888,194</u>	<u>24,525,038</u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Activities

Year Ended December 31, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:						
Security of persons and property	\$ 5,841,459	893,571	27,883	(4,920,005)	-	(4,920,005)
Public health services	339,855	25,858	127,409	(186,588)	-	(186,588)
Leisure time activities	315,334	71,358	104,112	(139,864)	-	(139,864)
Community and economic development	138,115	47,195	-	(90,920)	-	(90,920)
Transportation	971,886	-	592,144	(379,742)	-	(379,742)
General government	1,299,480	361,577	26,359	(911,544)	-	(911,544)
Interest on long-term debt	295,479	-	-	(295,479)	-	(295,479)
Total governmental activities	<u>9,201,608</u>	<u>1,399,559</u>	<u>877,907</u>	<u>(6,924,142)</u>	<u>-</u>	<u>(6,924,142)</u>
Business-type activities:						
Water	1,387,114	1,288,614	-	-	(98,500)	(98,500)
Sewer	2,653,586	2,833,348	-	-	179,762	179,762
Other business-type activities:						
Storm Water	129,183	105,247	-	-	(23,936)	(23,936)
Sanitation	423,451	424,907	-	-	1,456	1,456
Water/Wastewater deposit	<u>3,098</u>	<u>5,578</u>	<u>-</u>	<u>-</u>	<u>2,480</u>	<u>2,480</u>
Total business-type activities	<u>4,596,432</u>	<u>4,657,694</u>	<u>-</u>	<u>-</u>	<u>61,262</u>	<u>61,262</u>
Total	\$ <u>13,798,040</u>	<u>6,057,253</u>	<u>877,907</u>	<u>(6,924,142)</u>	<u>61,262</u>	<u>(6,862,880)</u>
General revenues:						
Income taxes levied for:						
General purposes				2,927,295	-	2,927,295
Property taxes levied for:						
General purposes				1,415,447	-	1,415,447
Fire improvements				1,151,918	-	1,151,918
Police pension				58,466	-	58,466
Recreation				18,318	-	18,318
Capital projects				62,672	-	62,672
Payments in lieu of taxes				259,559	-	259,559
Grants and contributions not restricted						
to specific programs				603,081	-	603,081
Investment earnings				56,698	2,233	58,931
Miscellaneous				99,419	19,172	118,591
Total general revenues				<u>6,652,873</u>	<u>21,405</u>	<u>6,674,278</u>
Change in net assets				(271,269)	82,667	(188,602)
Net assets beginning of year				<u>11,908,113</u>	<u>12,805,527</u>	<u>24,713,640</u>
Net assets end of year				<u>11,636,844</u>	<u>12,888,194</u>	<u>24,525,038</u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

CITY OF HARRISON, OHIO

Balance Sheet

Governmental Funds

December 31, 2010

	<u>General</u>	<u>Fire Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in pooled cash and investments	\$ 348,096	385,675	2,601,686	3,335,457
Cash in segregated accounts	-	-	10,408	10,408
Receivables:				
Property and other taxes	1,217,713	1,214,480	80,294	2,512,487
Payment in lieu of taxes	-	-	258,323	258,323
Income taxes	656,865	-	-	656,865
Accounts	27,621	40,224	2,002	69,847
Intergovernmental	207,974	61,298	217,271	486,543
Interfund receivable	290,000	-	-	290,000
Prepaid items	33,631	26,161	18,478	78,270
Materials and supplies inventory	9,237	-	13,336	22,573
Advances to other funds	57,347	-	-	57,347
	<u>2,848,484</u>	<u>1,727,838</u>	<u>3,201,798</u>	<u>7,778,120</u>
Total assets				
	<u>2,848,484</u>	<u>1,727,838</u>	<u>3,201,798</u>	<u>7,778,120</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	14,638	22,122	41,541	78,301
Accrued salaries	35,310	35,672	8,707	79,689
Intergovernmental payable	39,522	145,966	94,460	279,948
Advances from other funds	-	-	35,411	35,411
Notes payable	-	400,000	-	400,000
Deferred revenue	1,678,386	1,275,778	472,062	3,426,226
Total liabilities	<u>1,767,856</u>	<u>1,879,538</u>	<u>652,181</u>	<u>4,299,575</u>
	<u>1,767,856</u>	<u>1,879,538</u>	<u>652,181</u>	<u>4,299,575</u>
Fund balances:				
Reserved for:				
Encumbrances	7,004	104,789	113,455	225,248
Advance	57,347	-	-	57,347
Inventory	9,237	-	13,336	22,573
Prepays	33,631	26,161	18,478	78,270
Unreserved, reported in:				
General Fund	973,409	-	-	973,409
Special Revenue Funds	-	(282,650)	1,070,437	787,787
Debt Service Fund	-	-	410,733	410,733
Capital Projects Funds	-	-	923,178	923,178
Total fund balances (deficit)	<u>1,080,628</u>	<u>(151,700)</u>	<u>2,549,617</u>	<u>3,478,545</u>
Total liabilities and fund balances	\$ <u>2,848,484</u>	<u>1,727,838</u>	<u>3,201,798</u>	<u>7,778,120</u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

CITY OF HARRISON, OHIO
 Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 December 31, 2010

Total governmental fund balances \$ 3,478,545

*Amounts reported for governmental activities in the
 statement of net assets are different because:*

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 14,496,661

Other long-term assets are not available to pay for current-period
 expenditures and therefore are deferred in the funds:

Property and other taxes	149,774	
Intergovernmental and other receivables	365,241	
Income taxes	306,368	
Total		821,383

Unamortized bond issuance costs are not recognized in the funds. 84,296

In the statement of net assets, interest is accrued on outstanding bonds
 and loan, whereas in governmental funds, interest is accrued when due. (61,327)

Long-term liabilities, including bonds payable, are not due and payable in
 the current period and therefore are not reported in the funds:

Bonds payable	(3,989,296)	
ODOT loan payable	(401,713)	
OPWC loan payable	(921,275)	
Capital lease payable	(1,260,466)	
Compensated absences payable	(609,964)	(7,182,714)

Net assets of governmental activities \$ 11,636,844

See accompanying notes to the basic financial statements.
 See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes
in Fund Balances
Governmental Funds
Year Ended December 31, 2010

	<u>General</u>	<u>Fire Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property and other taxes	\$ 1,112,413	1,130,716	139,321	2,382,450
Income taxes	2,927,922	-	-	2,927,922
Payment in lieu of taxes	-	-	240,736	240,736
Intergovernmental	796,346	176,853	762,824	1,736,023
Charges for services	-	871,086	97,216	968,302
Fines, costs and forfeitures	229,666	-	-	229,666
Licenses, permits and inspections	177,223	-	-	177,223
Interest	57,932	273	-	58,205
Contributions	525	40	6,218	6,783
Other	39,206	10,927	77,801	127,934
Total revenues	<u>5,341,233</u>	<u>2,189,895</u>	<u>1,324,116</u>	<u>8,855,244</u>
Expenditures:				
Current:				
Security of persons and property	2,299,923	2,992,142	360,554	5,652,619
Public health services	12,562	-	326,286	338,848
Leisure time activities	55,160	-	196,352	251,512
Community and economic development	134,578	-	-	134,578
Transportation	-	-	780,692	780,692
General government	1,097,472	-	111,756	1,209,228
Capital outlay	3,153	335,289	246,442	584,884
Debt Service:				
Principal retirement	49,507	166,666	302,698	518,871
Interest and fiscal charges	3,767	60,357	201,522	265,646
Total expenditures	<u>3,656,122</u>	<u>3,554,454</u>	<u>2,526,302</u>	<u>9,736,878</u>
Excess of revenues over (under) expenditures	<u>1,685,111</u>	<u>(1,364,559)</u>	<u>(1,202,186)</u>	<u>(881,634)</u>
Other financing sources (uses):				
Transfers in	-	1,371,857	743,877	2,115,734
Transfers out	(2,115,734)	-	-	(2,115,734)
Proceeds of OPWC loan	-	-	65,051	65,051
Inception of capital lease	-	325,430	-	325,430
Total other financing sources (uses)	<u>(2,115,734)</u>	<u>1,697,287</u>	<u>808,928</u>	<u>390,481</u>
Net change in fund balances	(430,623)	332,728	(393,258)	(491,153)
Fund balance, beginning of year	<u>1,511,251</u>	<u>(484,428)</u>	<u>2,942,875</u>	<u>3,969,698</u>
Fund balance, end of year	\$ <u>1,080,628</u>	<u>(151,700)</u>	<u>2,549,617</u>	<u>3,478,545</u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

CITY OF HARRISON, OHIO
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended December 31, 2010

Net change in fund balances - total governmental funds \$ (491,153)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:

Capital outlay	470,793
Depreciation expense	(502,538)

Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, rather these revenues are deferred.	102,158
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Some expenses reported in the statement of activities do not require the use current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences	99,977
Interest on long-term debt	(1,846)
Amortization of deferred amount on refunding	(37,414)
Amortization of issuance costs	(16,188)
Amortization of bond premiums	25,615

Repayment of long-term obligations is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities in the statement of net assets.

In the current year, these amounts consisted of general obligation bonds, ODOT and OPWC loans and capital leases.	518,871
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The inception of a capital lease is recorded as an other financing source in the governmental funds, but as an asset and liability on the statement of net assets.	(325,430)
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The proceeds of an OPWC loan are recorded as an other financing source in the governmental funds, but is an increase of the liability on the statement of net assets.	(65,051)
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A loss on the trade-in of capital assets is recognized as an expense in the statement of activities but is not reported in governmental funds.	<u>(49,063)</u>
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Change in net assets of governmental activities \$ **(\$271,269)**

See accompanying notes to the basic financial statements.
See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Net Assets
 Proprietary Funds
 December 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Non-major</u>	<u>Total</u>
Assets				
Current assets:				
Equity in pooled cash and investments	\$ 1,801,717	2,603,286	345,651	4,750,654
Receivables:				
Accounts	110,178	280,395	38,819	429,392
Prepaid items	6,073	11,703	-	17,776
Materials and supplies inventory	<u>82,960</u>	<u>3,533</u>	<u>-</u>	<u>86,493</u>
Total current assets	<u>2,000,928</u>	<u>2,898,917</u>	<u>384,470</u>	<u>5,284,315</u>
Noncurrent assets:				
Deferred charges	-	710,034	-	710,034
Restricted assets:				
Cash and investments with fiscal agent	-	2,183,465	-	2,183,465
Advances to other funds	-	17,178	-	17,178
Non-depreciable capital assets	480,860	3,547,248	-	4,028,108
Depreciable capital assets, net	<u>14,455,474</u>	<u>15,522,855</u>	<u>2,107,864</u>	<u>32,086,193</u>
Total non-current assets	<u>14,936,334</u>	<u>21,980,780</u>	<u>2,107,864</u>	<u>39,024,978</u>
Total assets	<u>16,937,262</u>	<u>24,879,697</u>	<u>2,492,334</u>	<u>44,309,293</u>
Liabilities				
Current liabilities:				
Accounts payable	11,644	79,497	37,242	128,383
Accrued salaries	4,939	5,295	-	10,234
Intergovernmental payable	4,510	7,130	-	11,640
Accrued interest payable	112,117	150,326	-	262,443
Compensated absences payable	13,008	4,713	-	17,721
Interfund payable	-	0	290,000	290,000
Advances from other funds	12,960	8,976	17,178	39,114
Capital lease payable, current portion of	7,591	7,592	-	15,183
Revenue bonds payable, current portion of	-	570,000	-	570,000
General obligation bonds payable, current portion of	-	165,000	-	165,000
OPWC loans payable, current portion of	-	92,308	21,030	113,338
OWDA loans payable, current portion of	<u>343,621</u>	<u>-</u>	<u>-</u>	<u>343,621</u>
Total current liabilities	<u>510,390</u>	<u>1,090,837</u>	<u>365,450</u>	<u>1,966,677</u>
Long-term liabilities:				
Revenue bonds payable, net of current portion	-	16,057,691	-	16,057,691
General obligation bonds payable, net of current portion	-	5,851,792	-	5,851,792
OPWC loans payable, net of current portion	-	1,476,934	368,025	1,844,959
OWDA loans payable, net of current portion	5,613,284	-	-	5,613,284
Compensated absences payable, net of current portior	<u>44,995</u>	<u>41,701</u>	<u>-</u>	<u>86,696</u>
Total long-term liabilities	<u>5,658,279</u>	<u>23,428,118</u>	<u>368,025</u>	<u>29,454,422</u>
Total liabilities	<u>6,168,669</u>	<u>24,518,955</u>	<u>733,475</u>	<u>31,421,099</u>
Net Assets				
Invested in capital assets, net of related debt	8,971,838	(3,734,893)	1,718,809	6,955,754
Unrestricted	<u>1,796,755</u>	<u>4,095,635</u>	<u>40,050</u>	<u>5,932,440</u>
Total net assets	<u>\$ 10,768,593</u>	<u>360,742</u>	<u>1,758,859</u>	<u>12,888,194</u>

See accompanying notes to the basic financial statements.
 See accountant's compilation report.

CITY OF HARRISON, OHIO
Statement of Revenues, Expenses
and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2010

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Non-major</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 1,288,614	2,833,348	535,732	4,657,694
Other	18,326	-	846	19,172
Total operating revenues	<u>1,306,940</u>	<u>2,833,348</u>	<u>536,578</u>	<u>4,676,866</u>
Operating expenses:				
Personnel services	431,739	490,333	-	922,072
Contractual services	219,129	405,115	506,021	1,130,265
Supplies and materials	105,940	155,117	-	261,057
Other	11,789	46,023	3,098	60,910
Depreciation	390,532	721,632	46,613	1,158,777
Total operating expenses	<u>1,159,129</u>	<u>1,818,220</u>	<u>555,732</u>	<u>3,533,081</u>
Operating income (loss)	147,811	1,015,128	(19,154)	1,143,785
Non-operating revenues (expenses):				
Interest revenue	140	2,093	-	2,233
Interest expense and fiscal charges	(227,985)	(835,366)	-	(1,063,351)
Total non-operating revenues (expenses)	<u>(227,845)</u>	<u>(833,273)</u>	<u>-</u>	<u>(1,061,118)</u>
Change in net assets	(80,034)	181,855	(19,154)	82,667
Net assets, beginning of year	<u>10,848,627</u>	<u>178,887</u>	<u>1,778,013</u>	<u>12,805,527</u>
Net assets, end of year	<u>\$ 10,768,593</u>	<u>360,742</u>	<u>1,758,859</u>	<u>12,888,194</u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Cash Flows

Proprietary Funds

Year Ended December 31, 2010

Business-type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Non-major</u>	<u>Total</u>
Cash flows from operating activities:				
Cash received from customers	\$ 1,269,707	2,749,511	540,497	4,559,715
Cash payments for employee services and benefits	(439,026)	(471,592)	-	(910,618)
Cash payments to suppliers for goods and services	(361,355)	(647,717)	(502,040)	(1,511,112)
Cash payments for other operating expenses	(11,789)	(46,023)	(3,098)	(60,910)
Cash received from other operating revenue	10,314	-	846	11,160
Net cash provided by operating activities	<u>467,851</u>	<u>1,584,179</u>	<u>36,205</u>	<u>2,088,235</u>
Cash flows from noncapital financing activities:				
Return advances to other funds	-	-	(80,000)	(80,000)
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(362,451)	(1,437,551)	-	(1,800,002)
Issuance of bonds	-	5,490,000	-	5,490,000
Premium on issuance of bonds	-	156,792	-	156,792
Bond issuance costs	-	(146,792)	-	(146,792)
Principal retirement	(342,229)	(5,669,471)	(21,030)	(6,032,730)
Interest paid	(233,671)	(800,232)	-	(1,033,903)
OWDA loan	295,278	-	-	295,278
Net cash used by capital and related financing activities	<u>(643,073)</u>	<u>(2,407,254)</u>	<u>(21,030)</u>	<u>(3,071,357)</u>
Cash flows from investing activities:				
Interest	140	2,093	-	2,233
Net change	(175,082)	(820,982)	(64,825)	(1,060,889)
Cash and pooled investments beginning of year	<u>1,976,799</u>	<u>5,607,733</u>	<u>410,476</u>	<u>7,995,008</u>
Cash and pooled investments end of year	<u>1,801,717</u>	<u>4,786,751</u>	<u>345,651</u>	<u>6,934,119</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	147,811	1,015,128	(19,154)	1,143,785
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	390,532	721,632	46,613	1,158,777
Changes in assets and liabilities:				
Receivables	(18,857)	(83,837)	4,765	(97,929)
Prepaid items	532	(1,741)	-	(1,209)
Materials and supplies inventory	(48,671)	(32)	-	(48,703)
Accounts payable	4,061	(79,972)	4,081	(71,830)
Accrued salaries and benefits	306	272	-	578
Due to other governments	(11,739)	(9,306)	(100)	(21,145)
Compensated absences payable	3,876	22,035	-	25,911
Net cash provided by operating activities	<u>\$ 467,851</u>	<u>1,584,179</u>	<u>36,205</u>	<u>2,088,235</u>

See accompanying notes to the basic financial statements.
See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2010

		<u>Agency Funds</u>
<i>Assets</i>		
Cash in segregated accounts	\$	<u>45,227</u>
Total assets		<u><u>45,227</u></u>
 <i>Liabilities</i>		
Due to others		<u>45,227</u>
Total liabilities	\$	<u><u>45,227</u></u>

See accompanying notes to the basic financial statements.

See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Budget (Non-GAAP) Basis
General Fund
Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues:				
Property and other taxes	\$ 1,375,414	1,375,414	1,429,723	54,309
Income taxes	3,226,000	3,226,000	2,903,314	(322,686)
Intergovernmental	476,990	476,990	487,057	10,067
Charges for services	191,882	191,882	190,213	(1,669)
Fines, costs and forfeitures	155,100	155,100	208,279	53,179
Licenses, permits and inspections	196,350	196,350	78,986	(117,364)
Interest	45,000	45,000	61,635	16,635
Other	17,710	17,710	37,247	19,537
Total revenues	<u>5,684,446</u>	<u>5,684,446</u>	<u>5,396,454</u>	<u>(287,992)</u>
Expenditures:				
Current:				
General government	1,166,879	1,153,652	1,110,447	43,205
Security of persons and property	2,456,945	2,472,551	2,369,868	102,683
Public health and welfare	12,500	12,562	12,562	-
Community environment	155,096	155,096	137,427	17,669
Leisure time activity	59,707	59,707	55,600	4,107
Total expenditures	<u>3,851,127</u>	<u>3,853,568</u>	<u>3,685,904</u>	<u>167,664</u>
Excess of revenues over expenditures	<u>1,833,319</u>	<u>1,830,878</u>	<u>1,710,550</u>	<u>(120,328)</u>
Other financing sources (uses):				
Transfers out	(2,090,802)	(2,090,802)	(2,005,802)	85,000
Total other financing sources (uses)	<u>(2,090,802)</u>	<u>(2,090,802)</u>	<u>(2,005,802)</u>	<u>85,000</u>
Net change in fund balance	(257,483)	(259,924)	(295,252)	(35,328)
Fund balance, beginning of year	690,725	690,725	690,725	
Prior year encumbrances appropriated	39,343	39,343	39,343	
Fund balance, end of year	\$ <u>472,585</u>	<u>470,144</u>	<u>434,816</u>	

See accompanying notes to the basic financial statements.
See accountant's compilation report.

CITY OF HARRISON, OHIO

Statement of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual - Budget (Non-GAAP) Basis
Fire Improvement Fund
Year Ended December 31, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance From Final Budget</u>
Revenues:				
Property and other taxes	\$ 1,151,664	1,151,664	1,127,335	(24,329)
Intergovernmental	248,221	248,221	180,233	(67,988)
Charges for services	714,993	714,993	848,182	133,189
Interest	8,000	8,000	273	(7,727)
Other	3,200	3,200	10,968	7,768
Total revenues	<u>2,126,078</u>	<u>2,126,078</u>	<u>2,166,991</u>	<u>40,913</u>
Expenditures:				
Current:				
Security of persons and property				
Fire Department				
Personal services	2,856,448	2,856,448	2,795,682	60,766
Operations/maintenance	631,487	631,487	599,453	32,034
Total security of persons and property	<u>3,487,935</u>	<u>3,487,935</u>	<u>3,395,135</u>	<u>92,800</u>
Capital outlay				
Capital improvements	10,000	10,000	9,859	141
Total capital outlay	<u>10,000</u>	<u>10,000</u>	<u>9,859</u>	<u>141</u>
Total expenditures	<u>3,497,935</u>	<u>3,497,935</u>	<u>3,404,994</u>	<u>92,941</u>
Excess of revenues over expenditures	<u>(1,371,857)</u>	<u>(1,371,857)</u>	<u>(1,238,003)</u>	<u>133,854</u>
Other financing source:				
Transfers in	1,371,857	1,371,857	1,371,857	-
Total other financing sources (uses)	<u>1,371,857</u>	<u>1,371,857</u>	<u>1,371,857</u>	<u>-</u>
Net change in fund balance	-	-	133,854	133,854
Fund balance, beginning of year	124,910	124,910	124,910	
Fund balance, end of year	<u>\$ 124,910</u>	<u>124,910</u>	<u>258,764</u>	

See accompanying notes to the basic financial statements.
See accountant's compilation report.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the City of Harrison are prepared in conformity with generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City follows Financial Accounting Standards Board (FASB) standards of accounting and financial reporting issued on or before November 30, 1989 in its government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict GASB guidance. Governments also have the option of following subsequent FASB guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent FASB guidance. The significant accounting policies used in the preparation of these financial statements are summarized below.

A. Reporting Entity

The City of Harrison, Ohio (the "City") is a charter city and operates under the Mayor-Council form of government. A seven-member council is elected and the council selects one of its members to serve as mayor.

The reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure that the financial statements are fairly presented. The primary government of the City consists of all funds and departments that comprise the legal entity of the City. They provide various services including police, fire, court, park and recreation, water sewage and sanitary services, street and sewer maintenance

Included as part of the City's primary government in the determination of the City's reporting entity is the Harrison Mayor's Court (the "Court"). Although the Court's territorial jurisdiction extends beyond the boundaries of the City, the Court's operations are not legally separate from the City. Monies held by the Court in a fiduciary capacity are included in an agency fund in the accompanying basic financial statements.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes. The City has no component units.

Jointly Governed Organization

Harrison Township-City of Harrison Joint Economic Development District

In an effort to facilitate economic development and to create and preserve jobs, the City has entered into a contract with Harrison Township to create a Joint Economic Development District (JEDD). In accordance with State law, the District's Board of Trustees levied a 1% income tax. The proceeds of that tax are allocated, in accordance with the contract, to the City and the Township. The City and the Township will utilize these JEDD revenues, in part, to construct infrastructure and improvement in the District. The City received \$45,412 in revenues through the JEDD in 2010.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

B. Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the City as a whole. The statements distinguish between those activities that are governmental in nature, which are normally supported by taxes and intergovernmental revenues; and business-type activities, which rely to a significant extent upon fees and charges for support. Interfund activities are generally eliminated to avoid the "doubling-up" effect on revenues and expenses.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of expenses with program revenues identifies the extent to which each governmental function or business-type segment is self-financing or relies upon general revenues of the City.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. All other funds are aggregated and reported as non-major governmental or non-major proprietary funds.

The City uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Governmental funds are those through which most governmental functions typically are financed. The following are the City's major governmental funds:

General Fund - The General Fund is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the Charter of the City.

Fire Improvement Fund – This fund accounts for voted levies, property taxes and contracts that relate to the operation of the fire department.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

Proprietary funds are used to account for the City's ongoing activities that are similar to those found in the private sector where the intent of the governing body is that the cost of providing goods and services to the general public be financed or recovered primarily through user charges. Proprietary funds are either classified as enterprise or internal service. The City does not have any internal service funds.

Water Fund - Accounts for the provision of water service to the City and surrounding areas.

Sewer Fund - Accounts for the provision of sanitary sewer service to the City and surrounding areas.

The other enterprise funds of the City are used to account for storm water, water/wastewater deposits and sanitation.

Fiduciary Funds. The City's only fiduciary funds are agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are accounted for using the accrual basis of accounting. The City's agency funds account for monies held by the Mayor's Court in a fiduciary capacity and to account for the administering and collection of income taxes related to the Joint Economic Development District.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Fund Financial Statements

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in current financial resources. Since governmental funds' financial statements use a different measurement focus and basis of accounting than the government-wide statements, governmental funds' financial statements include reconciliations to the government-wide statements.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The available period for the City is sixty days after year-end. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

The accrual basis of accounting is utilized by the proprietary fund types. Under this method, revenues are recognized when they are earned, and expenses are recognized at the time liabilities are incurred.

Proprietary fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and becomes available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means collected within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest earnings, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, grants, and municipal income tax.

Unearned Revenue/Deferred Revenue

Deferred revenues arise when potential revenue does not meet both the measurable and available criteria recognition in the current period. Deferred revenues also arise when the City receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

Current and delinquent property taxes measurable as of December 31, 2010, whose availability is indeterminable and which are not intended to finance current period obligations, have been recorded as a receivable and deferred revenue.

D. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements. During 2010, investments were limited to STAR Ohio, federal agency securities, U.S. Government money market mutual funds, negotiable certificates of deposit and non-negotiable certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as non-negotiable certificates of deposit, are reported at cost.

The City has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 2010. 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, 2010.

Following Ohio Statutes, the Council has, by resolution, specified the funds to receive an allocation of interest earnings. During 2010, interest revenue credited to the general fund amounted to \$57,932 which includes \$55,279 assigned from other funds.

The City has segregated bank accounts for the Mayor's court and senior center deposits which are held separate from the City's central bank account. The depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited in the City treasury.

At year end, the City had \$2,183,465 held by a trustee as designated by bond indenture. This amount is reported as "restricted cash and investments with fiscal agent" in the financial statements.

An analysis of the City's investment account at year end is provided in Note 4.

E. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2010 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

F. Supplies Inventory

Inventories are presented at cost on first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies.

G. Capital Assets

Capital assets, which include property, land improvements, infrastructure, plant and equipment and vehicles, are reported in the applicable governmental or business-type columns in the government-wide financial statements. Capital assets utilized by governmental activities are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

The City defines capital assets as those with an individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value on the date received. Infrastructure includes streets, storm sewers, water lines and sewer lines. Interest on constructed capital assets is capitalized for business-type activities. When capital assets are purchased, they are capitalized and depreciated in the government-wide statements and the proprietary fund statements. Capital assets are recorded as expenditures of the current period in the governmental fund financial statements.

All capital assets except for land and construction in progress are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Infrastructure	50 years
Buildings	50 years
Furniture and equipment	5-20 years
Vehicles	8 years
Land improvements	20 years

H. Restricted Assets

Certain cash and investments are classified as restricted cash on the financial statements because these funds are being held by a trustee as designated by the bond indenture.

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due

J. Interfund Balances

During the course of operations, transactions occur between individual funds for goods provided or services rendered. On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". Long-term interfund loans (advances) are classified as "advances to other funds" and "advances from other funds". These amounts are eliminated in the governmental columns of the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Deferred Charges

Bond issuance costs are deferred and amortized over the terms of the bonds using the straight-line method.

L. Compensated Absences

The City follows the provisions of GASB Statement No. 16, "Accounting for Compensated Absences". Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Vested vacation and sick leave is recorded as an expense in the government-wide statements for the period in which the leave was earned. For governmental funds, a liability is recorded for compensated absences only if they have matured, for example, as a result of employee resignations and retirements.

Payment of vacation and sick leave recorded in the government-wide financial statements is dependent upon many factors; therefore timing of future payments is not readily determinable. Management believes that sufficient resources will be available when payment is due.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

M. Reservations of Fund Balances

Reservations of fund balances are established to identify the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, or the portion of fund balance that is legally segregated for specific future use. Fund balances have been reserved for encumbrances, inventory, prepaids and advances.

N. Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

O. Grants and Other Intergovernmental Revenues

Grants made on the basis of entitlement periods are recorded as intergovernmental receivables and revenues when entitlement occurs. All other reimbursement-type grants are recorded as receivables and revenues when the related expenditures are incurred.

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when the limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments. At December 31, 2010, none of the City's net assets were restricted by enabling legislation.

The net assets restricted for other purposes result from special revenue funds and the restriction on their net asset use. When both restricted and non-restricted resources are available for use, it is the City's policy to use non-restricted resources first, and then restricted resources, as they are needed.

Q. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than fiduciary funds, are legally required to be budgeted and appropriated.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

The legal level of budgetary control (the level at which transfers of budget amounts cannot be made without legislative approval) is at the object level. Budgetary modifications may only be made by ordinance of the City Council. The city can make transfers within the funds without seeking the approval of City Council. The City legally adopted supplemental appropriations during 2010.

Tax Budget

By July 15, the Mayor submits an annual tax budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all of the previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources that states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or before January 31, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates.

Appropriations

The annual appropriation ordinance must be passed no later than April 1 of each year for the period January 1 to December 31. A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The appropriation ordinance fixes spending authority at the object level. The appropriation ordinance may be amended during the year, as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts on the budgetary schedules reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as reservations of fund balances for governmental funds since they do not constitute expenditures or liabilities.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

Lapsing of Appropriations

At the close of each year, the unencumbered balance of each appropriation lapses and is restored to the respective fund from which it was appropriated and becomes subject to future appropriation. The encumbered appropriation balance is carried forward to the succeeding year and is not reappropriated.

NOTE 2 – FUND DEFICITS

At December 31, 2010, the following deficit fund balances were reported:

<u>Fund</u>	<u>Deficit</u>
Fire Improvement	\$ 151,700
Fire Memorial	\$ 3,413
Police Pension	\$ 23,032

These fund deficits resulted from the accrued but unpaid liabilities that are not payable from current period revenue and do not exist on a budget basis. The General Fund provides transfers to cover fund deficit balances; however, this is done when cash is needed.

NOTE 3 – BUDGETARY BASIS OF ACCOUNTING

While the City reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, requires accounting for certain transactions according to cash receipts, disbursements, appropriations, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget (Non-GAAP) Basis, are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Outstanding year-end encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance.
4. Advances in and advances out are operating transactions (budget basis) rather than as a reservation of fund balance (GAAP basis).

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

The adjustments necessary to convert the results of operations for the year ended December 31, 2010, on the GAAP basis to the budget basis are as follows:

		General Fund	Fire Improvement
Net change in fund balance - <i>GAAP Basis</i>	\$	(430,623)	332,728
Net adjustment for revenue accruals		55,221	(22,904)
Net adjustment for expenditure accruals		(8,140)	276,371
Encumbrances		(21,642)	(126,911)
Other sources (uses)		109,932	(325,430)
Net change in fund balance - <i>Budget Basis</i>	\$	(295,252)	133,854

NOTE 4 - DEPOSITS AND INVESTMENTS

The City maintains a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments is shown separately on the statement of net assets and balance sheets as "Equity in Pooled Cash and Investments".

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must be either evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim moneys. Interim moneys are those moneys which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

- (1) United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- (2) Bonds, notes, debentures, or any other obligations or securities 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, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

- (3) Written repurchase agreements in the securities listed above, provided that the fair value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to fair value daily and that the term of the agreement must not exceed thirty days;
- (4) Bonds and other obligations of the State of Ohio;
- (5) No-load money market funds consisting exclusively of obligations described in division (1) or (2) of this section, and repurchase agreement secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
- (6) The State Treasury Assets Reserve of Ohio (STAR Ohio); and
- (7) Certain banker's acceptances and commercial paper notes for a period not to exceed one hundred eighty days from the date of purchase in an amount not to exceed twenty-five percent of interim monies available for investment at any time.
- (8) Under limited circumstance, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation, by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

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

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

Deposits: Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's custodial credit risk policy requires that deposits be collateralized as required by ORC Chapter 135. Ohio law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

At December 31, 2010, the carrying amount of all City deposits was \$4,014,990. \$3,045,264 of the City's bank balance of \$4,352,685 was exposed to custodial risk as discussed above, while \$1,307,421 was covered by FDIC.

Investments: The City's investments at December 31, 2010 are summarized as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	
		<u>6 months or less</u>	<u>7 to 12 months</u>
Federal Home Loan Bank Notes	\$ 1,474,419	1,149,792	324,627
US Treasuries	599,702	399,956	199,746
Negotiable CD's	428,000	250,000	178,000
STAR Ohio	249,681	249,681	-
Money Market	<u>3,558,419</u>	<u>3,558,419</u>	<u>-</u>
	<u>\$ 6,310,221</u>	<u>5,607,848</u>	<u>702,373</u>

Credit Risk: The City's investments in Federal Home Loan Bank Notes and U.S. Treasury mutual funds were rated AAA by Standard & Poor's and Aaa by Moody's. The City's investment in STAR Ohio and the money markets have an AAAM credit rating. The City's investment policy limits its investments to those authorized by State statute.

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investments in federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in the State statute that prohibits payments for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Concentration of Credit Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single user. The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2010:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Home Loan Bank Notes	\$ 1,474,419	23.0%
US Treasuries	599,702	10.0%
Negotiable CD's	428,000	7.0%
STAR Ohio	249,681	4.0%
Money Market	<u>3,558,419</u>	<u>56.0%</u>
	<u>\$ 6,310,221</u>	<u>100.0%</u>

CITY OF HARRISON, OHIO
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Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with the investment policy, the City manages its exposure to declines in fair value by limiting the maximum maturity of investments in its portfolio to five years.

NOTE 5 - PROPERTY TAXES

Property taxes include all amounts levied against all real and utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2010 public utility property taxes became a lien December 31, 2009, are levied after October 1, 2010, and are collected in 2011 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

House Bill No. 66 was signed into law on June 30, 2005 and phases out the tax on tangible personal property of general businesses, telephone and telecommunication companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the City due to the phasing out of the tax. In calendar years 2006-2010, the City will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The Hamilton County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Harrison. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2010 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred revenue since the current taxes were not levied to finance 2010 operations and the collection of the delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all City operations for the year ended December 31, 2010, was \$13.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2010 property tax receipts were based are as follows:

Real Property Assessed Valuation	\$	224,661,270
Public Utility Real Property Assessed Valuation		<u>4,314,400</u>
Total assessed valuation	\$	<u>228,975,670</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 6 - INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 7 – INTERFUND ACTIVITY

Interfund activity as reported in the fund financial statements includes transfers, advances to/from funds and interfund receivable/payable. The following represent the transfers during 2010:

		<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$	-	2,115,734
Fire Improvement		1,371,857	-
Other governmental funds		<u>743,877</u>	<u>-</u>
	\$	<u>2,115,734</u>	<u>2,115,734</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; to move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed and to segregate money for anticipated capital projects. Transfers between governmental funds are eliminated for reporting on the statement of activities.

The following represent the outstanding advances to/from other funds as of December 31, 2010:

		<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$	57,347	-
Other governmental funds		-	35,411
Sewer		17,178	8,976
Water		-	12,960
Other enterprise funds		<u>-</u>	<u>17,178</u>
	\$	<u>74,525</u>	<u>74,525</u>

Advances to/from other funds are long-term interfund loans that are not expected to be repaid in the subsequent year. Advances to/from other funds between governmental funds are eliminated for reporting on the statement of net assets. Advances to/from other funds between governmental activities and business-type activities are reported as a component of the "internal balance" reported on the statement of net assets.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

An interfund receivable/payable is reported in the General Fund and Storm Water Fund, respectively for \$290,000. This loan is expected to be repaid in the next year.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,015,891	-	-	3,015,891
Construction in progress	<u>2,199,554</u>	<u>123,363</u>	<u>(2,302,917)</u>	<u>20,000</u>
Total capital assets not being depreciated	<u>5,215,445</u>	<u>123,363</u>	<u>(2,302,917)</u>	<u>3,035,891</u>
<i>Capital assets being depreciated:</i>				
Land improvements	804,817	-	-	804,817
Buildings and improvements	3,946,240	-	-	3,946,240
Furniture and equipment	748,146	-	-	748,146
Vehicles	2,368,873	347,430	(190,652)	2,525,651
Infrastructure	<u>5,714,945</u>	<u>2,302,917</u>	<u>-</u>	<u>8,017,862</u>
Total capital assets being depreciated	<u>13,583,021</u>	<u>2,650,347</u>	<u>(190,652)</u>	<u>16,042,716</u>
Less accumulated depreciation:				
Land improvements	(641,906)	(34,663)	-	(676,569)
Buildings and improvements	(1,562,704)	(76,760)	-	(1,639,464)
Furniture and equipment	(398,621)	(49,618)	-	(448,239)
Vehicles	(1,255,171)	(204,881)	141,589	(1,318,463)
Infrastructure	<u>(362,595)</u>	<u>(136,616)</u>	<u>-</u>	<u>(499,211)</u>
Total accumulated depreciation	<u>(4,220,997)</u>	<u>(502,538)</u>	<u>141,589</u>	<u>(4,581,946)</u>
Total capital assets being depreciated, net	<u>9,362,024</u>	<u>2,147,809</u>	<u>(49,063)</u>	<u>11,460,770</u>
Capital assets, net	\$ <u>14,577,469</u>	<u>2,271,172</u>	<u>(2,351,980)</u>	<u>14,496,661</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 651
Security of persons and property	253,534
Public health and welfare	4,638
Transportation	189,154
Leisure time activities	<u>54,561</u>
Total depreciation expense	\$ <u>502,538</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
<i>Capital assets not being depreciated:</i>				
Land	\$ 485,420	-	-	485,420
Construction in progress	5,608,710	1,800,002	(3,866,024)	3,542,688
Total capital assets not being depreciated	<u>6,094,130</u>	<u>1,800,002</u>	<u>(3,866,024)</u>	<u>4,028,108</u>
<i>Capital assets being depreciated:</i>				
Land improvements	24,474	-	-	24,474
Buildings and improvements	10,030,905	-	-	10,030,905
Furniture and equipment	7,509,567	-	-	7,509,567
Vehicles	374,784	-	-	374,784
Infrastructure	22,816,962	3,866,024	-	26,682,986
Total capital assets being depreciated	<u>40,756,692</u>	<u>3,866,024</u>	<u>-</u>	<u>44,622,716</u>
Less accumulated depreciation:				
Land improvements	(24,474)	-	-	(24,474)
Buildings and improvements	(2,592,342)	(199,471)	-	(2,791,813)
Furniture and equipment	(3,315,221)	(459,332)	-	(3,774,553)
Vehicles	(254,790)	(19,075)	-	(273,865)
Infrastructure	(5,190,919)	(480,899)	-	(5,671,818)
Total accumulated depreciation	<u>(11,377,746)</u>	<u>(1,158,777)</u>	<u>-</u>	<u>(12,536,523)</u>
Total capital assets being depreciated, net	<u>29,378,946</u>	<u>2,707,247</u>	<u>-</u>	<u>32,086,193</u>
Capital assets, net	\$ <u>35,473,076</u>	<u>4,507,249</u>	<u>(3,866,024)</u>	<u>36,114,301</u>

Depreciation expense was charged to segments as follows:

Major enterprise funds

Water	\$ 390,532
Sewer	721,632

Nonmajor enterprise fund

Storm water	<u>46,613</u>
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Total depreciation expense	\$ <u>1,158,777</u>
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CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 9 - DEFINED BENEFIT PENSION PLANS

Ohio Public Employees Retirement System

The City contributes to the Ohio Public Employees Retirement System (OPERS) which administers three separate pension plans: The Traditional Pension 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); 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. Under the Member-Directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed plan.

OPERS provides retirement, disability, and survivor and death benefits and annual cost of living adjustments to members of the Traditional and Combined plans. Members of the Member-Directed plan do not qualify for ancillary benefits including post-employment health care coverage. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2010, member and employer contribution rates were consistent across all three plans discussed above. Separate divisions for law enforcement and public safety divisions exist only within the Traditional Plan. The 2010 member contribution rates were 10.0% of their annual salary for members in state and local classifications. Public safety and law enforcement members contributed at a rate of 10.5% and 11.1%, respectively. The City was required to contribute 14.00% of covered payroll for employees and 17.87% for employees engaged in law enforcement and public safety. The City's contribution rate for pension benefits for 2010 was 8.5% from January 1 through February 28, 2010 and 9% from March 1 through December 31, 2010. The City's required contributions for pension obligations for the years ended December 31, 2010, 2009, and 2008 were \$163,720, \$145,682 and \$118,476, respectively; 100% has been contributed for all three years.

Ohio Police and Fire Pension Fund

The City 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 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides statutory authority for employee and employer contributions. Plan members are required to contribute 10% of their annual covered salary while the City is required to contribute 19.5% and 24%, respectively for police officers and firefighters. For 2010 the portion of the City's contributions to fund pension obligations was 12.75% for police officers and 17.25% for firefighters. The City's required contributions for pension obligations to the Fund for the years ended December 31, 2010, 2009, and 2008 were \$453,283, \$464,665 and \$359,716, respectively; 71% has been contributed for 2010 and 100% for 2009 and 2008.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 10 - POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

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

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

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

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed at a rate of 14.00% of covered payroll, and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety 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 Retirement Board 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 was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

Actual employer contributions for 2010, 2009 and 2008 which were used to fund post-employment benefits were \$93,337, \$104,347 and \$118,476, respectively; 100% has been contributed for all three years.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates for state and local employers increased on January 1 of each year from 2006-2008. Rates for law and public safety employers increased over a six year period beginning on January 1, 2006, with a final rate increase in January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

Ohio Police and Fire Pension Fund

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost sharing multiple-employer defined postemployment healthcare 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.

OP&F provides access to post-retirement healthcare coverage for 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. The healthcare coverage provided by OP&F meets the definition of an 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 healthcare coverage to eligible participants and to establish and amend benefits 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively.

The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer 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, 2010, 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 also is 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 City's actual contributions for 2010, 2009 and 2008 that were used to fund post-employment benefits were \$207,191, \$208,491 and \$166,118, respectively; 71% has been contributed for 2010 and 100% for 2009 and 2008.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Accumulated Unpaid Vacation and Compensatory Time

City employees earn vacation leave at varying rates based upon length of service. In the case of death or separation from employment, an employee (or their estate) is paid for any unused vacation or compensatory leave. The obligation for accrued unpaid vacation time for the City as a whole amounted to \$52,629 at December 31, 2010.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the varying rates. Sick leave is cumulative without limit. In the event of death or separation, an employee is paid for a percentage of their accumulated sick leave up to a maximum. The obligation for accrued unpaid sick leave for the City as a whole amounted to \$661,752 at December 31, 2010.

NOTE 12 - RISK MANAGEMENT

Risk Pool Membership

The City belongs to the Ohio Government Risk Management Plan (the “Plan”), an unincorporated nonprofit association providing a formalized, jointly administered self-insurance risk management program and other administrative services to approximately 510 Ohio governments (“Members”). Pursuant to Section 2744.081, of the Ohio Revised Code, the Plan is a separate legal entity.

The Plan provides property, liability, errors and omissions, law enforcement, automobile, excessive liability, crime, surety and bond, inland marine and other coverage, modified for each Member’s needs. The Plan pays judgments, settlements and other expenses resulting from covered claims that exceed the Member’s deductible.

The Plan issues its own policies and reinsures the Plan with A-VII or better rated carriers, except for the 5% portion retained by the Plan. After September 1, 2003, the Plan pays the lesser of 5% or \$25,000 of casualty losses and the lesser of 5% or \$50,000 of property losses. The individual members are only responsible for their self-retention (deductible) amounts, which vary from member to member.

The Pool’s audited financial statements conform to accounting principles generally accepted in the United States of America and reported the following assets, liabilities and retained earnings at December 31, 2009 and 2008, the latest information available:

	<u>2009</u>	<u>2008</u>
Assets	\$ 11,176,186	\$ 9,709,890
Liabilities	<u>(4,852,485)</u>	<u>(4,612,589)</u>
Members' Equity	<u>\$ 6,323,701</u>	<u>\$ 5,097,301</u>

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

You can read the complete audited financial statements for the Ohio Government Risk Management Plan at the Plan's website, www.ohioplan.org.

Health Insurance

During 2010, the City provided employees insurance for medical through Humana Insurance, dental through Assurant and life through Hartford. The premiums for health, dental and accident and life insurance are paid monthly with the City paying one-hundred percent of the cost up to \$797.00 per employee. Anything above this cap amount is split by the City and the employees per union contracts. The risk of loss transfers to the insurance carrier upon payment of the premium by the City.

Workers' Compensation

Workers' compensation claims are covered through the State of Ohio Workers Compensation Retrospective Plan. The City's MCO is Sheakley Unicorp.

There has been no significant reduction in insurance coverage from the prior year. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 13 - LONG-TERM LIABILITIES

The following is a summary of changes during 2010 and balances for governmental activities' long-term liabilities of the City as of December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
<u>General Obligation Bonds</u>					
2000 Road and safety bonds	\$ 165,000	\$ -	\$ (165,000)	\$ -	\$ -
2005 Road and safety refunding bonds	2,110,000	-	(15,000)	2,095,000	195,000
Less deferred amount on refunding	(37,414)	-	37,414	-	-
Add premium on issuance	22,595	-	(22,595)	-	-
2009 Various purpose - Harrison Ave bike trail	1,150,000	-	-	1,150,000	5,000
2009 Various purpose - sidewalks	660,000	-	-	660,000	5,000
Add premium on issuance	87,316	-	(3,020)	84,296	-
<u>OPWC loans</u>					
2006 Jefferson Avenue project	389,756	-	(23,622)	366,134	23,622
2009 Kater Street improvements	504,324	65,051	(14,234)	555,141	28,469
<u>ODOT loan</u>					
2006 New Haven bridge	467,943	-	(66,230)	401,713	68,232
<u>Other long-term obligations</u>					
Capital leases	1,169,821	325,430	(234,785)	1,260,466	219,688
Compensated absences	709,941	89,844	(189,821)	609,964	47,286
Total governmental activities long-term obligations	\$ 7,399,282	\$ 480,325	\$ (696,893)	\$ 7,182,714	\$ 592,297

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

General Obligation Bonds

On August 11, 2005, the City issued \$2,135,000 in Series 2005 general obligation refunding bonds to finance sanitary sewer improvements. The bonds bear interest rates ranging from 3.0% to 4.75% per annum and mature in various installments through December 1, 2019. The proceeds of the bonds were used to advance refund the callable portion (\$1,985,000) of the Series 2000 various purpose general obligation bonds by purchasing SLGS that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. The refunded bonds were not included in the City's outstanding debt since the City has satisfied its obligations through the advance refunding. The principal balance of the refunded bonds at December 31, 2010 was \$1,985,000.

General Obligation Various Purpose Improvement Bonds

On December 10, 2009, the City issued \$1,810,000 in Series 2009 various purpose general obligation bonds. The issue was split to provide financing for the construction of the Harrison Avenue bike trail and the construction of sidewalks. The bonds bear interest rates ranging from 2.0% to 5.25% and are scheduled to mature December 1, 2038.

OPWC Loans

The City's Jefferson Avenue project and Kater Street improvements project were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2010, the City has two loans outstanding through the OPWC payable from governmental activities. The Jefferson Avenue project loan is interest free and payable in semi-annual installments that began in 2006 and will mature in 2026. The Kater Street improvements project was completed in 2010 and is also interest free and payable in semi-annual payments with the first payments made in 2010 and final maturity in 2030.

ODOT Loan

The City borrowed \$564,170 from the Ohio Department of Transportation (ODOT) to finance the City's portion of the ODOT project to widen New Haven Road over Interstate 74. The loan bears interest rates ranging from 0% to 5%. Payments are payable in semi-annual installments with a maturity in 2016.

Compensated Absences

Compensated absences for governmental activities will be paid from the following funds: general fund, street maintenance fund (a nonmajor governmental fund), fire improvement fund, community center fund (a nonmajor governmental fund) and the senior center fund (a nonmajor governmental fund).

The following is a summary of the City's future annual debt service principal and interest requirements for government-type activities long term-obligations:

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

Governmental Activities							
Year Ending December 31,	Various Purpose Bonds		Refunding Series - 2005		ODOT Loan		OPWC
	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2011	\$ 10,000	\$ 82,712	\$ 195,000	\$ 94,313	\$ 68,232	\$ 11,543	\$ 52,091
2012	45,000	82,513	200,000	85,050	70,294	9,481	52,090
2013	50,000	81,612	210,000	75,550	72,418	7,357	52,090
2014	50,000	80,612	220,000	65,575	74,608	5,168	52,091
2015	50,000	79,362	230,000	55,125	76,863	2,913	52,090
2016-2020	280,000	371,850	1,040,000	167,750	39,298	598	260,452
2021-2025	335,000	312,101	-	-	-	-	260,452
2026-2030	435,000	216,037	-	-	-	-	139,919
2031-2035	340,000	106,576	-	-	-	-	-
2036-2038	215,000	22,838	-	-	-	-	-
Total	\$ 1,810,000	\$ 1,436,213	\$ 2,095,000	\$ 543,363	\$ 401,713	\$ 37,060	\$ 921,275

The following is a summary of changes during 2010 and balances for business-type activities' long-term liabilities of the City as of December 31, 2010:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
<i>General Obligation Bonds</i>					
2005 Sanitary Sewer Improvements	\$ 390,000	\$ -	\$ (20,000)	\$ 370,000	\$ 20,000
2010 Sanitary Sewer Improvements	-	5,490,000	-	5,490,000	145,000
Add premium on issuance	-	156,792	-	156,792	-
<i>Mortgage revenue bond</i>					
2003 Revenue improvement and refundings	17,070,000	-	(550,000)	16,520,000	570,000
Add premium on issuance	190,461	-	(10,198)	180,263	-
Deferred amount on refunding	(76,641)	-	4,069	(72,572)	-
<i>OPWC loans</i>					
State Street/Campbell Road sewer	1,661,550	-	(92,308)	1,569,242	92,308
Etta, Lellan and Joyce Avenue improvement	410,085	-	(21,030)	389,055	21,030
<i>OWDA loans</i>					
Water treatment plant	757,939	-	(51,425)	706,514	52,776
New Biddinger Rd./Caroline Trace Rd. water mains	1,654,532	-	(76,775)	1,577,757	78,414
Wellfield/transmission water mains	481,587	-	(60,803)	420,784	62,468
Water main improvements	1,609,964	38,839	(58,756)	1,590,047	60,364
New Haven/Baughman Rd. water main improvement	100,965	22,627	(29,997)	93,595	30,719
Elevated water storage tank	1,391,706	233,812	(57,310)	1,568,208	58,880
<i>Other long-term obligations</i>					
Capital leases	29,509	-	(14,326)	15,183	15,183
Compensated absences	78,506	55,917	(30,006)	104,417	17,721
Total business-type activities long-term obligations	\$ 25,750,163	\$ 5,997,987	\$ (1,068,865)	\$ 30,679,285	\$ 1,224,863

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

General Obligation Bonds

On August 11, 2005, the City issued \$510,000 in general obligation bonds to finance sanitary sewer improvements. The bonds bear interest rates ranging from 3.0% to 4.125% per annum and mature in various installments through December 1, 2024.

On December 9, 2010, the City issued \$5,490,000 in general obligation sewer system improvement bonds for the purpose of retiring outstanding notes that were used to finance various improvements to the wastewater system. Serial bonds of \$1,600,000 range in interest rates of 1.0% to 2.25% and mature in 2020. Term bonds of \$3,890,000 range in interest rates of 3.75% to 5.25% and mature at varying times from 2022 to 2035.

Mortgage revenue bonds

On September 15, 2003, the City issued \$18,750,000 in wastewater system revenue improvements and refunding bonds. The bond issue consisted of \$16,445,000, \$10,000,000 of which was used to retire bond anticipation notes and \$2,305,000 to currently refund the callable portion of the 1993 sewer system improvements mortgage revenue bonds. The refunded debt is considered defeased (in-substance) and accordingly, has been removed from the financial statements. The principal balance of the refunded wastewater system mortgage revenue bonds at December 31, 2010 was \$1,070,000.

The 2003 sewer system improvements refunding issue is comprised of current interest bonds, par value \$2,305,000, with an annual interest rate ranging from 2.0% to 4.125%. The general obligation bonds and mortgage revenue bonds are expected to be retired with revenues of the enterprise funds. General obligation bonds are secured by the City's ability to levy a voted or unvoted property tax within the limitations of Ohio law.

The City has pledged future sewer customer revenues, net of specified operating expenses, to repay \$18,750,000 in Series 2003 sewer system revenue improvement and refunding bonds. Proceeds of the sewer system revenue improvement and refunding bonds were used for sewer improvements and to refund the outstanding balance of previously issued Series 1993 sewer general obligation improvement notes. The Series 2003 sewer revenue improvement and refunding bonds are payable solely from sewer customer net revenues and are payable through 2028. Annual principal and interest remaining to be paid on the bonds is \$25,166,606. Principal and interest paid for the current year and total customer net revenues were \$1,342,925 and \$1,748,815, respectively.

OPWC Loans

Improvements to the City's water treatment facilities and State Street/Campbell Road and Etta, Lellan and Joyce Ave. improvement were financed through expenditures by the Ohio Public Works Commission (OPWC). At December 31, 2010, the City has two loans outstanding through the OPWC payable from business-type activities. The loans are payable in semi-annual installments of principal and interest. The amounts due to the OPWC are payable solely from water and sewer revenues.

OWDA Loans

The City has entered into debt financing arrangements through the Ohio Water Development Authority (OWDA) to fund construction projects. The amounts due to the OWDA are payable solely from water revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2010, the City has outstanding borrowings of \$5,956,905. The loan agreements require semi-annual payments based on the permissible borrowings rather than the actual amount loaned. The projects financed through OWDA loans are not closed out as of December 31, 2010. Future annual debt service principal and interest requirements for these loans are not available.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

Compensated Absences

Compensated absences for business-type activities will be paid from the sewer and water enterprise funds.

Principal and interest requirements to retire the City's outstanding obligations at December 31, 2010 were:

Year Ending December 31,	Business-Type Activities					
	General Obligation Bonds		Revenue Refunding Bonds		OPWC	
	Principal	Interest	Principal	Interest	Principal	
2011	\$ 165,000	\$ 244,051	\$ 570,000	\$ 774,500	\$ 113,338	
2012	165,000	246,832	590,000	753,980	113,338	
2013	170,000	242,983	615,000	730,380	113,338	
2014	175,000	239,033	635,000	705,780	113,339	
2015	180,000	234,982	665,000	680,380	113,339	
2016-2020	985,000	1,094,050	4,315,000	2,919,312	566,692	
2021-2025	1,130,000	907,669	5,315,000	1,714,387	566,691	
2026-2030	1,260,000	633,412	3,815,000	367,887	258,222	
2031-2035	1,630,000	265,125	-	-	-	
Total	\$ 5,860,000	\$ 4,108,137	\$ 16,520,000	\$ 8,646,606	\$ 1,958,297	

NOTE 14 – SHORT-TERM OBLIGATIONS

	Issue Date	Maturity Date	Interest Rate	Balance 12/31/2009	Increase	Decrease	Balance 12/31/2010
<u>Governmental Activities:</u>							
Tax anticipation note	12/9/2010	12/8/2011	2.6%	\$ 445,000	\$ 400,000	\$ (445,000)	\$ 400,000
<u>Business-Type Activities:</u>							
Sewer bond anticipation note				\$ 5,000,000	\$ -	\$ (5,000,000)	\$ -

On December 9, 2010, the City retired \$445,000 in tax anticipation notes and reissued \$400,000 in notes in anticipation of taxes from the fire improvement levy for providing ambulance, paramedic and emergency medical services. The notes bear an interest rate of 2.6% and will mature on December 8, 2011.

The sewer bond anticipation notes outstanding at December 31, 2009 in the amount of \$5,000,000 were retired on December 9, 2010 with the issuance of general obligation sewer bonds.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 15 – CAPITAL LEASES

In 2010, the City entered into a capitalized lease agreement for the acquisition of two new ambulance vehicles. In prior years, the City has entered into several capitalized leases for assets including police vehicles, street sweeper, paramedic vehicle, fire trucks, staff vehicles and various equipment. The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, “Accounting for Leases,” which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the governmental funds. These expenditures are reported as function expenditures on the budgetary statements. For enterprise funds, fund capital assets acquired by capital lease and the related liability and interest expense have been reported in the sewer fund and the water fund.

Capital assets consisting of vehicles and equipment have been capitalized in the statement of net assets in the amount of \$1,997,549 for the governmental funds and \$71,873 for the enterprise funds.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2010.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2011	\$ 277,705	\$ 16,091
2012	178,423	-
2013	178,423	-
2014	171,975	-
2015	149,816	-
2016-2020	441,637	-
2021-2025	<u>176,654</u>	<u>-</u>
Total	\$ 1,574,633	\$ 16,091
Less: amount representing interest	<u>(314,167)</u>	<u>(908)</u>
Present value of net minimum lease payments	<u>\$ 1,260,466</u>	<u>\$ 15,183</u>

NOTE 16 - CONTRACTUAL COMMITMENTS

The City has active projects as of December 31, 2010 for items such as improvements to sewer and water systems, street improvements, architectural and design contracts among others. The City has expended approximately \$904,000 on these active projects with remaining commitments of approximately \$2,046,000.

CITY OF HARRISON, OHIO
Notes to the Basic Financial Statements
Year Ended December 31, 2010

NOTE 17 – CONTINGENT LIABILITIES

Litigation

The City is of the opinion that ultimate disposition of claims and legal proceedings will not have a material effect on the financial condition of the City.

Federal and State Grants

The City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes all expenditures meet grant qualifications.