HARRISON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2013

HARRISON COUNTY

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INDEPENDENT AUDITOR'S REPORT

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of Harrison County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards.* Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

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Basis for Adverse Opinion

As described in Note 1B of the financial statements, the County prepared these financial statements using cash accounting basis Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit. However, Ohio Administrative Code § 117-2-03(B) requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

Adverse Opinion

In our opinion, because of the matter described in the *Basis for Adverse Opinion* paragraph, the financial statements do not present fairly the financial position, results of operation, and cash flows, where applicable, of Harrison County, Ohio, as of and for the year ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Basis for Additional Opinion Qualification

In prior years, the County Treasurer issued loans to the County Engineer. Ohio Rev. Code § 321.23 provides that a County Treasurer cannot loan money belonging to the County, with or without interest. The balance of the loans outstanding is considered to be an investment balance and is reported as a component of the General Fund cash balance.

As of December 31, 2013, the total outstanding loan balances are in the amount of $454,296 for the County. Had this amount been properly expended from the General Fund it would decrease the General Fund cash balance by the amount of ($454,296).

Additional Opinion Qualification

In our opinion, because of the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements do not present fairly, in all material respects, the fund cash balance of the General Fund of Harrison County as of December 31, 2013, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1B describes.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2013, the County adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

The County also has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United State of America has determined is necessary to supplement, although not required to be part of, the financial statements.

Supplementary Information

Our audit was conducted to opine on the financial statements taken as a whole.

The Schedule of Federal Awards Expenditures (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

Because of the significance of the matter described in the *Basis for Adverse Opinion* paragraph, it is inappropriate to and we do not express an opinion on the supplementary information referred to above.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in* considering the County's internal control over financial reporting and compliance.

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

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HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL GOVERNMENTAL FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2013

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Taxes	$4,616,488	$1,806,662	$80,127	$764,031		$7,267,308
Charges for Services	662,438	4,131,796				4,794,234
Licenses and Permits	1,085					1,085
Fines and Forfeitures	128,390	81,824				210,214
Intergovernmental Revenue	592,274	8,888,934		259,119		9,740,327
Special Assessments		22,492				22,492
All Other Revenue	48,577	481,975			$16,154	546,706
Total Cash Receipts	6,049,252	15,413,683	80,127	1,023,150	16,154	22,582,366
Cash Disbursements						
General Government:						
Legislative and Executive	1,925,990	759,543				2,685,533
Judicial	660,775	744,070				1,404,845
Public Safety	611,910	754,504				1,366,414
Public Works	4,849	5,793,254				5,798,103
Health		1,318,852				1,318,852
Human Services	118,925	5,489,602				5,608,527
Conservation - Recreation		41,206				41,206
Miscellaneous		89,672				89,672
Capital Outlay				490,646	2,995	493,641
Debt Service:						
Note Principal Payment		358,836	128,978			487,814
Interest and Fiscal Charges		69,969	3,475			73,444
Total Cash Disbursements	3,322,449	15,419,508	132,453	490,646	2,995	19,368,051
Total Cash Receipts Over (Under) Cash Disbursements	2,726,803	(5,825)	(52,326)	532,504	13,159	3,214,315
Other Financing Receipts (Disbursements)						
Operating Transfers In	8,613	408,260	15,000	1,500,000		1,931,873
Operating Transfers Out	(1,906,340)	(25,533)				(1,931,873)
Advances In	5,000					5,000
Advances Out		(5,000)				(5,000)
Other Financing Sources	1,699,387					1,699,387
Other Financing Uses	(54,001)					(54,001)
Total Other Financing Receipts (Disbursements)	(247,341)	377,727	15,000	1,500,000	0	1,645,386
Total Cash Receipts and Other Financing Receipts Over /(Under) Cash Disbursements and Other Financing Disbursements	2,479,462	371,902	(37,326)	2,032,504	13,159	4,859,701
Fund Cash Balances, January 1 - Restated See Note 3	1,471,372	4,291,771	37,452	90,005	179,219	6,069,819
Fund Cash Balances, December 31						
Restricted		5,099,203		2,122,509	148,734	7,370,446
Committed		277	126		43,644	44,047
Unassigned (Deficit)	3,950,834	(435,807)				3,515,027
Fund Cash Balances, December 31	$3,950,834	$4,663,673	$126	$2,122,509	$192,378	$10,929,520

The notes to the financial statements are an integral part of this statement.

HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES ALL PROPRIETARY AND FIDUCIARY FUND TYPES FOR THE YEAR ENDED DECEMBER 31, 2013

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	$473,515		$473,515
Total Operating Cash Receipts	473,515	$0	473,515
Operating Cash Disbursements			
Personal Services	708,546		708,546
Capital Outlay	36,375		36,375
Total Operating Cash Disbursements	744,921	0	744,921
Operating Income (Loss)	(271,406)	0	(271,406)
Non-Operating Receipts (Disbursements)			
Grants	365,063		365,063
Note Retirement	(25,938)		(25,938)
Interest Expense and Fiscal Charges	(4,050)		(4,050)
OWDA Loan Retirement	(19,801)		(19,801)
Other Non-Operating Revenue		27,695,769	27,695,769
Other Non-Operating Expense		(27,278,357)	(27,278,357)
Total Non-Operating Receipts (Disbursements)	315,274	417,412	732,686
Income before Transfers	43,868	417,412	461,280
Transfers In		67,320	67,320
Transfers Out		(67,320)	(67,320)
Net Change in Fund Cash Balances	43,868	417,412	461,280
Fund Cash Balances, January 1 - Restated See Note 3	(35,842)	1,442,672	1,406,830
Fund Cash Balances, December 31	$8,026	$1,860,084	$1,868,110

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

A. Description of the Entity

Harrison County (the County), is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operated under the direction of a three-member elected Board of County Commissioners. A county auditor and county treasurer, both of whom are elected, are responsible for the fiscal control of the resources of the County which are maintained in the funds below. Other officials elected by the voters of the County that manage the County's operations are the county recorder, clerk of courts, coroner, engineer, prosecuting attorney, sheriff, one common pleas judge, and a county court/probate/juvenile judge. Although these elected officials manage the internal operations of their respective departments, the Board of County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting authority, and the chief administrators of the public services of the County. Services provided by the County include general government, both executive and judicial, law enforcement, public works, public safety, health, welfare, conservation, and maintenance of highways, roads, and bridges. Taxes are levies, collected, and distributed to the schools, townships, municipalities, and appropriate County funds.

For financial reporting purposes, the County's cash basis combined statements include all funds, agencies, boards, commissions, and departments for which the County is financially accountable. Management believes the financial statements included in this report represent all of the funds, agencies, boards, commissions, and departments of the County over which the County has the ability to exercise direct operational control.

The County serves as the fiscal agent but is not financially accountable for the District Board of Health and the Soil Conservation Services and their operations are not fiscally dependent on the County. Accordingly, the above named organizations are excluded from the accompanying financial statements and each is subject to a separate audit.

B. Accounting Basis

Although required by Ohio Administrative Code § 117-2-03(B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements and notes in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

1. Summary of Significant Accounting Policies (Continued)

C. Deposits and Investments (Continued)

Gains or losses at the time of sale are recorded as receipts and disbursements, respectively. Certificates of deposits are valued at cost.

D. Fund Accounting

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental Fund Types:

Governmental funds are those through which most governmental functions of the county are financed. The following are the County's governmental fund types:

General Fund – The General Fund is the operating fund of the County and 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 County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds – Special revenue funds are used to account for the proceeds of specific resources (other than trusts or major capital projects) that are legally restricted to expenditure for specific purchases.

Debt Service Funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service funds might also be used to account for the payment of long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds.

Capital Project Funds – The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or trust funds).

Permanent Funds - These funds account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs (for the benefit of the government or its citizenry).

2. Proprietary Funds

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the County's proprietary fund type:

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued)

2. Proprietary Funds (Continued)

Enterprise Funds – Enterprise funds are used to account for County activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

3. Fiduciary Funds

Fiduciary funds include private purpose trust funds and agency funds. Agency funds are custodial in nature and are used to hold resources for individuals, organizations or other governments, the County's fiduciary funds are all agency funds.

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements 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.

2. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2013 unencumbered fund balances. However, these fund balances are available for appropriations.

3. Appropriations

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation must be passed by April 1 or each year for the period January 1 to December 31. The appropriations measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations which have set forth amounts for each office, department, division, and within each of these amounts appropriated for personal services, and appropriations may not exceed estimate resources.

1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Process (Continued)

4. Encumbrances

The Ohio Revised Code requires the County to reserve (encumber) appropriations when individual commitments are made, Encumbrances outstanding at year end are carried over, and need not be reappropriated. The County did not encumber all commitments required by Ohio law.

F. Property, Plant, and Equipment

Fixed assets acquired or constructed from general governmental service are recorded as expenditures. Depreciation is not recorded for these fixed assets.

G. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” includes items that are not expected to be converted to cash.

Restricted: Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (County resolutions). Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party, such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specific by the legislation.

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the County Commissioners. Those committed amounts cannot be used for any other purpose unless the Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

1. Summary of Significant Accounting Policies (Continued)

G. Fund Balance (Continued)

Assigned: Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by the County Commissioners. In the General Fund, assigned amounts represent intended uses established by the County Commissioners or a County official delegated that authority by resolution or by State Statute. State statute authorizes the County Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

Unassigned: Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

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

H. Operating Receipts and Disbursements

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts are those receipts that are generated directly from the primary activity of the proprietary funds. For the county, these receipts are rural transit and county water charges for services. Operating disbursements are necessary costs incurred to provide the good or service that is the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

I. Total Columns on Financial Statements

Total columns on the financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. This data is not comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

2. Equity in Pooled Deposits and Investments

Monies held by the County are classified by State Statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

2. Equity in Pooled Deposits and Investments (Continued)

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), 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 monies deposited with the institution. Huntington Bank and PNC Bank are the financial institutions for Harrison County.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities entered into by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market 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 market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or it political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
    a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
    b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;

2. Equity in Pooled Deposits and Investments (Continued)

11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they 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 bank failure, the County will not be able to recover deposits or collateral securities that are the possession of an outside party. At year ended December 31, 2013, $10,100,122 of the County's bank balance of $12,600,462 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

For purposes of this note presentation, the County had no qualifying investments as defined by the Governmental Accounting Standards Board (GASB).

3. Change in Accounting Principle and Restatement of Fund Balances

For 2013, the County has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions".

GASB Statement No. 54 addresses the classification of governmental fund balance and clarifies the governmental fund type definitions. The implementation of this Statement resulted in the fund balance of governmental funds being assigned to the appropriate accounts as defined by the Statement which did not result in the restatement of total fund balance.

3. Change in Accounting Principle and Restatement of Fund Balances (Continued)

Restatement of Fund Balances – In prior years, the Industrial Park and U-Trust Funds were reported as Permanent Funds. The Industrial Park Fund is now reported as a Debt Service Fund, and the U-Trust Fund is now reported as an Agency Fund. Also, in prior years, the Local Match Fund was reported as a Capital Projects Fund. The Local Match Fund is now reported as an Enterprise Fund. These changes are reflected below:

	Debt Service	Capital Projects	Permanent
Fund Balance, December 31, 2012	$27,326	$131,303	$244,981
Restatement	10,126	(41,298)	(65,762)
Restated, Fund Balance, December 31, 2012	$37,452	$90,005	$179,219

	Enterprise	Agency
Fund Balance, December 31, 2012	($77,140)	$1,387,036
Restatement	41,298	55,636
Restated, Fund Balance, December 31, 2012	($35,842)	$1,442,672

4. Legal Compliance

Ohio Admin. Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare an annual financial report in accordance with generally accepted accounting principles.

Contrary to Ohio Rev. Code § 321.23, the County Treasurer in prior years issued loans to the County Engineer and Puskarich Public Library which were outstanding as of December 31, 2013.

In addition, contrary to Ohio Rev. Code § 5705.10(I), the County had deficit fund balances at December 31, 2013 as follows: Government Center Fund ($58,457); Magistrate Fund ($61,699); Light Program Fund ($7,735); Harrison Economic Development Fund ($277,221); Med Reserve Fund ($45,251); County Water Fund ($17,458); and 2nd Half Real Estate Tax Fund ($35,026).

5. Budgetary

Budgetary activity for the year ending December 31, 2013, follows:

2013 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	$7,699,485	$7,762,252	$62,767
Special Revenue	16,157,338	15,821,943	(335,395)
Debt Service	95,125	95,127	2
Capital Projects	2,565,290	2,523,150	(42,140)
Permanent	3,900	16,154	12,254
Enterprise	765,000	838,578	73,578
Total	$27,286,138	$27,057,204	($228,934)

5. Budgetary (Continued)

2013 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	$5,661,133	$5,282,790	$378,343
Special Revenue	18,252,286	15,450,041	2,802,245
Debt Service	50,000	132,453	(82,453)
Capital Projects	1,369,707	490,646	879,061
Permanent	45,000	2,995	42,005
Enterprise	1,056,293	794,710	261,583
Total	$26,434,419	$22,153,635	$4,280,784

Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources in the Gas Tax Fund by $440,843, in the Children Services Fund by $395,854, and in the County Water Fund by $128,199. Also contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the Debt Service Fund by $107,453.

6. Property Tax

Real Property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 2011.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2013, was $13.42 per $1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective rate was $9.98 per $1,000 of assessed valuation for real property classified as residential/agricultural and $12.69 per $1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

The assessed values of real and tangible personal property upon which 2013 property tax receipts were based are as follows:

Real Property Tax	
Residential/Agricultural	$209,744,770
Commercial/Industrial	24,759,950
Public Utilities	967,110
Tangible Personal Property	
Public Utilities	29,992,300
Total Valuation	$265,464,130

6. Property Tax (Continued)

The Harrison County Treasurer collects property tax on behalf of all taxing districts within the County. The Harrison County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collection of the taxes and remittances of them to the taxing districts are accounted for in various agency funds of the County.

7. Debt Obligations

Debt outstanding at December 31, 2013, consisted of the following:

	Principal	Interest Rate
General Obligation Bonds	$441,841	5.6-5.75%
General Obligation Notes	112,186	1.5%-3%
Ohio Public Works Commission Loans	777,252	0%
Ohio Water Development Authority Loans	427,279	1.5-3.95%
Leases	177,271	4.29%
Total	$1,935,829	

There were 2 outstanding notes. One note was of the general obligation type with the Village of Cadiz Community Improvement Council for the Industrial Park water tower and Jameson Avenue repairs. The taxing authority of the County collateralizes the note. The other note was a State Infrastructure Bank Loan made to the County by the Ohio Department of Transportation (ODOT) for the reconstruction of County Road 29. This loan is secured by gasoline tax monies received by the County.

The proceeds of the outstanding general obligation bonds were used for the renovation and improvement of the new government center building, the human services building, construction of a county garage, and purchase of road equipment. General obligation bonds are direct obligations of the County for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the County.

Proceeds from the Ohio Public Works Commission notes were used by County Engineer for bridge replacements, county roads resurfacing, water lines and culvert replacements. The notes are direct obligations of the County for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the County.

The Ohio Water Development Authority (OWDA) loans are for utility construction projects that include water quality enhancements and pollution control measures. Loan proceeds were used to upgrade the Tippecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The amounts outstanding as of December 31, 2013 are expected to be repaid from charges for services collected. The County has set water rates sufficient to cover OWDA debt service requirements.

In 2010, the County entered into lease agreement with Kansas State Bank to lease trucks for use in the engineer’s office. The lease is for five years with semi-annual payments. In addition, the County entered into a 2010 agreement with Oklahoma State Bank to lease an asphalt zipper for use by the engineer’s office. The lease is for five years with semi-annual payments.

7. Debt Obligations (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2013, including interest, are as follows:

Year ending December 31:	Ohio Public Works Commission	OWDA Loans	General Obligation Bonds	General Obligation Notes	Leases
2014	$77,565	$48,431	$67,400	$37,401	$158,472
2015	76,330	48,431	67,400	37,401	25,896
2016	76,330	48,431	67,400	29,601	
2017	76,330	48,431	67,400	12,401	
2018	76,330	48,431	67,400		
2019-2023	325,044	198,605	218,972		
2024-2028	69,323	39,034			
2029-2033		39,917			
Total	$777,252	$519,711	$555,972	$116,804	$184,368

8. Risk Management

The County is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees and natural disasters.

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of forty-two counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self Insurance Program, a group primary and excess insurance/self insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public official's errors and omissions liability insurance.

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of the member counties are eligible to serve on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligation to make coverage payments to CORSA.

The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest in CORSA.

There were no significant reductions in insurance coverage from the prior year in any category of risk. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

The County pays the State Worker's Compensation System a premium based on a rate per $100 of employees compensation. The rate is calculated based on accident history and administrative costs.

8. Risk Management (Continued)

Health Care Insurance

The County provides medical/surgical insurance benefits to its employees through The Health Plan. The employees share the cost of the monthly premium with the Board of Commissioners. Vision insurance is provided by the County to employees.

Life Insurance

The County provides life insurance of $15,000 to each employee.

9. Permissive Sales and Use Tax (Piggyback Sales Tax)

A County levied tax of one and one-half percent (1.5%) is applied on the storage, use, or other consumption, in the county, of motor vehicles, and on the storage, use, or other consumption, in the county, of tangible personal property. The County provides for the following breakdown: 83% of the total proceeds of this tax are general fund revenue to be appropriated for general operating expenses; $80,127 are Debt Service Fund Revenues for the repayment of debt; $67,394 are Government Center Revenues for the repayment of the Government Center Debt; and the remaining balance of the proceeds of this tax are capital projects fund revenue to be appropriated for capital improvements. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2013 amounted to $4,697,840.

10. Defined Benefit Pension Plan

Ohio Public Employees Retirement System

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

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

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-6701 or (800)222-7377.

10. Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

For the year ended December 31, 2013, the members of all three plans, except for those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of their annual covered salary; members in public safety contributed 10.5 percent. The County's contribution rate for pension benefits for 2013 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.87 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2013, 2012, and 2011 were $893,681, $883,504, and $848,444. One hundred percent has been contributed for 2013, 2012, and 2011.

State Teachers Retirement System

Certified teachers employed by the school for the Board of Mental Retardation and Development Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (614) 227-4090, or by visiting the STRS Ohio web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

The Ohio Revised Code provides statutory authority for County and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the County are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

10. Defined Benefit Pension Plan (Continued)

State Teachers Retirement System (Continued)

The County's contribution to the STRS of Ohio for the years ended December 31, 2013, 2012 and 2011 was $14,997, $15,374, and $20,783 respectively. 100% of has been contributed for 2013, 2012 and 2011. No contributions were made to the DC and Combined Plan for fiscal year 2013 by the county and plan members.

11. Post Employment Benefits

Ohio Public Employees Retirement System

Plan Description-The 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 postemployment health care coverage.

In order to qualify for post-employment health care coverage, aged 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 benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or calling 614-222-5601 or 800-222-7377.

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). 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 contributions 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 2013, 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 14.00% of covered payroll for state and local employer units and 18.10% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

11. Post-Employment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.06 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to the healthcare was lowered to 1 percent for both plans, as recommended by the OPERS actuary.

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 of their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contributions for health care to the OPERS for the years ending December 31, 2013, 2012, and 2011 were $8,936, $35,340, and $44,035, respectively, which were equal to the required contributions for each year.

State Teachers Retirement System (STRS)

Plan Description – The County participate in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorized STRS to offer this plan. Benefits include hospitalization physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting www.strsoh.org or by calling (888)227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions for health care for the fiscal years end December 31, 2013, 2012 and 2011 were $1,071, $1,098, and $2,208.

12. Contingent Liabilities

A. The County is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the County's financial condition. Amounts grantor agencies pay to the county are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.
B. The Auditor of State is conducting a special investigation. As of the date of this report, the investigation is ongoing. The results of the investigation will be reported on at a later date.

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HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Agriculture			
Passed through Ohio Department of Job and Family Services			
State Administrative Matching Grants for the Supplemental	10.561	JFSFFB13	$95,770
Nutrition Assistance Program		JFSFFB14	27,812
		JFSFF113	5,938
		JFSFF114	7,973
		JFSFF513	3,273
Total State Administrative Matching Grants for Supplemental Nutrition Assistance Program			140,766
Total U.S. Department of Agriculture			140,766
U. S. Department of Housing and Urban Development			
Passed through the Ohio Department of Development			
Community Development Block Grants - State's Program	14.228	BF-12-1-BE-1	71,000
Total U.S. Department of Housing and Urban Development			71,000
U.S. Department of Education			
Passed through the Ohio Department of Education			
Special Education - Preschool Grants	84.173		12,565
Total U.S. Department of Education			12,565
U.S. Department of Homeland Security			
Passed Through the State Emergency Management Agency			
Emergency Management Performance Grants	97.042	EMPG FY 2012	32,379
Total U.S. Department of Homeland Security			32,379
U. S. Department of Health and Human Services			
Passed Through the Ohio Department Developmental Disabilities			
Social Services Block Grant	93.667	2013	11,085
		2012	12,438
Total Social Services Block Grant			23,523
Medical Assistance Program - Targeted Case Management	93.778		174,899
Passed Through the Ohio Department of Job and Family Services			
Temporary Assistance for Needy Families	93.558	JFSFTF12	24,000
		JFSFTF13	424,404
		JFSFTF14	133,459
Total Temporary Assistance for Needy Families			581,863
Child Care Development Block Grant	93.575	JFSFCD13	10,337
		JFSFCD14	4,970
Total Child Care Development Block Grant			15,307
Promoting Safe and Stable Families	93.556	JFSFMC13	817
		JFSFMC14	1,067
		JFSFPF13	2,135
		JFSFPF14	3,286
Total Promoting Safe and Stable Families			7,305

HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	**CFDA Number**	**Pass Through Entitty Number**	**Expenditure**
U. S. Department of Health and Human Services (Continued)			
Passed Through the Ohio Department of Job and Family Services (Continued)			
Social Services Block Grant	93.667	JFSFSS13	$111,500
		JFSFSS14	50,415
Total Social Services Block Grant			161,915
Medical Assistance Program	93.778	JFSFMT13	102,209
		MCDFMT13	36,778
		MCDFMT14	59,958
Total Medical Assistance Program			198,945
Child Support Enforcement	93.563	JFSFCS13	273,740
		JFSFCS14	110,173
Child Support Incentive		JFSFCS13	23,740
Total Child Support Enforcement			407,653
Community-Based Child Abuse Prevention Grants	93.590	JFSFCB11	1,713
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW13	10,000
		JFSFCW14	12,000
Total Stephanie Tubbs Jones Child Welfare Services Program			22,000
Adoption Assistance	93.659	JFSFAA13	30,782
		JFSFAA14	11,471
Total Adoption Assistance			42,253
Foster Care Title IV-E	93.658	JFSFFC13	42,020
		JFSFFC14	11,809
IV-E Reimbursement			240,538
Total Foster Care Title IV-E			294,367
Passed Through the Ohio Secretary of State			
Voting Access for Individuals with Disabilities - Grants to States	93.617		290
Total U.S. Department of Health and Human Services			1,932,033
U.S. Department of Labor			
Passed Through Workforce Investment Act Area 16			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258		28,335
WIA Youth Activities	17.259		35,682
Rapid Response	17.278		14,550
WIA Dislocated Worker Formula Grants			33,037
Total WIA Dislocated Worker Formula Grants			47,587
Total Workforce Investment Act Cluster			111,604
WIA National Emergency Grants	17.277	NEG-OH25 Flood Grant	663,029
Total U.S. Department of Labor			774,633

HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	**CFDA Number**	**Pass Through Entitty Number**	**Expenditure**
U.S. Department of Justice			
Direct from Federal Government			
ARRA-Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program, Recovery Act.	16.810	2009-SD-B9-0174	$17,695
Pass through the Ohio Department of Public Safety			
ARRA-Edward Byrne Memorial JAG Program, Recovery Act	16.803	2012-JG-LE-5096	4,189
		2009-RA-LLS-2420	30,000
Total ARRA-Edward Byrne Memorial JAG Program, Recovery Act			34,189
ARRA-Violence Against Women Formula Grants, Recovery Act	16.588	2011-WF-VA2-V8914A	19,997
Total U.S. Department of Justice			71,881
U.S. Department of Transportation			
Pass through the Ohio Department of Transportation			
Formula Grants for Rural Areas	20.509	RPT-4034-033-131	203,898
		RPT-0034-033-132	42,410
		SECT-90TA-005-141	1,315
Total Formula Grants for Rural Areas			247,623
Highway Planning and Construction	20.205	PID #92285	49,998
		(2012) PID #90189	56,942
		(2011) PID #90189	12,707
Total Highway Planning and Construction			119,647
Total U.S. Department of Transportation			367,270
Total Federal Awards Expenditures			**$3,402,527**

The Notes to the Schedule of Federal Awards Expenditures is an integral part of the Schedule.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2013

A. SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the County's federal awards programs disbursements. The Schedule has been prepared on the cash basis of accounting.

B. MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of County Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Harrison County, Ohio (the County), as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 16, 2015, wherein we noted the County's financial statements do not comply with accounting principles generally accepted in the United States of America; therefore, we were unable to express an opinion on the Schedule of Federal Awards Expenditures. In addition, we noted in prior years, the County Treasurer issued loans to the County Engineer which should have been reported as expenditures of the General Fund. The balance of the loans outstanding is considered to be an investment balance and is reported as a component of the General Fund cash balance. As of December 31, 2013, the total outstanding loan balances are in the amount of $454,296 for the County Engineer. Had these amounts been properly expended from the General Fund it would decrease the General Fund cash balance by the amount of ($454,296). We also noted the County adopted new accounting guidance in Governmental Accounting Standards Board Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. We consider findings 2013-002 and findings 2013-011 through 2013-013 described in the accompanying Schedule of Findings to be material weaknesses.

A significant deficiency is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider finding 2013-010 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards,* which are described in the accompanying Schedule of Findings as items 2013-001 through 2013-009.

Entity's Response to Findings

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

Purpose of this Report

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

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of County Commissioners:

Report on Compliance for Each Major Program

We have audited Harrison County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2013. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings identifies the County's major federal programs.

Management's Responsibility

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards;* and OMB Circular A-133*, Audits of States, Local Governments, and Non-Profit Organizations.* These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2013.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program 's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

Dave Yost

Dave Yost
Auditor of State

Columbus, Ohio

March 16, 2015

HARRISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2013

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Adverse
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	No
(d)(1)(vii)	**Major Programs (list):** • WIA National Emergency Grants – CFDA #17.277 • Temporary Assistance for Needy Families (TANF) - CFDA #93.558 • Child Support Enforcement – CFDA #93.563 • Foster Care Title IV-E – CFDA #93.658	
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

Finding Number 2013-001

Noncompliance

Ohio Admin. Code § 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted principles (GAAP). The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

Failure to implement GAAP reporting could result in future opinion modifications or penalties under Ohio Revised Code § 117.38.

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

Finding Number 2013-001 (Continued)

Noncompliance - Ohio Admin. Code § 117-2-03(B) (Continued)

The County should prepare its annual financial report in accordance with generally accepted accounting principles. The County should review Auditor of State Audit Bulletin 2005-002 for guidance on implementation and other compliance requirements.

Officials' Response: Harrison County does not have the staff or the budget to prepare its financial report on a GAAP basis of accounting.

Finding Number 2013-002

Noncompliance and Material Weakness

Ohio Rev. Code § 9.38 requires that all monies collected under the color of office, or monies collected by a public officer or employee shall be deposited with the treasurer of the taxing district once every twenty-four hours.

The Commissioners Office, Engineer's Office (including county water & sewer), Rural Transit Department, Clerk of Courts, Auditor's Office, and Sheriff's Office failed to deposit monies with the County Treasurer within 24 hours. The amount from the Commissioner's Office was for $1,290,035 and included various gas and oil lease payments that were held excessively beyond the 24 hour period, some up to three months.

We recommend that in order to safeguard County assets and to improve control over recording and reporting revenue, all monies collected in the various county office's should be deposited with the County Treasurer in a timely manner.

Officials' Response: The officials and employees will make every attempt to deposit on a daily basis, however with small staffs and limited time not all deposits will be made daily, some may be made every other day.

Finding Number 2013-003

Finding for Adjustment/Noncompliance

Ohio Rev. Code § 321.23 states that a county treasurer who loans money belonging to the county, with or without interest, or uses such money for his own individual purpose, shall forfeit and pay, for each such offense, not less than one hundred nor more than five hundred dollars, to be recovered in an action in the name of the state, for the use of the county.

In prior years, the County Treasurer issued loans to the County Engineer.

These loans were paid directly to the vendors on checks issued by the County Treasurer from the general operating checking account rather than on county warrants processed by the County Auditor and posted to the County ledgers. The loans were included in the investment balance on the County's bank reconciliation at December 31, 2013.

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

Finding Number 2013-003 (Continued)

Finding for Adjustment/Noncompliance – Ohio Rev. Code § 321.23 (Continued)

Below is the outstanding loan balances as of December 31, 2013:

County Engineer - $438,210 for employee retirement buyout
County Engineer - $16,086 for equipment related to water operations

Had these amounts been properly expended from the General Fund, the net effect of the loan activity would result in the General Fund's ending cash balance being lower by $454,296 than the amount reported in the County's accompanying financial statements.

In accordance with the foregoing facts, a finding for adjustment is hereby issued against the General Fund in the amount of $454,296.

We recommend the County discontinue the practice of loaning money to other county departments. The County Commissioners should consult their legal counsel when the need arises to issue debt.

Officials' Response: The Treasurer's office no longer issues checks for in-county loans to offices.

Finding Number 2013-004

Noncompliance

Ohio Rev. Code § 5543.19 requires, in part, that in determining whether construction or reconstruction, including widening and resurfacing, of roads may be undertaken by force account, the County Engineer shall first cause to be made an estimate of the cost of such work using the force account project assessment form developed by the Auditor of State under § 117.16 of the Revised Code. When the total estimated cost of the work exceeds thirty thousand dollars per mile, the County Commissioners shall invite and receive competitive bids for furnishing all the labor, materials, and equipment necessary to complete the work in accordance with §§ 307.86 to 307.92 of the Revised Code.

In addition, Ohio Rev. Code § 117.16(C)(2) states, in part, that if the Auditor of State finds that a county violated the force account limits established for that political subdivision a second or subsequent time, the Auditor of State, in addition to any other action authorized by this chapter, shall notify the political subdivision that, for a period of two years from the date of notification, the force account limits for the subdivision are reduced in accordance with division (C)(1)(a) of this section. Ohio Rev. Code § 117.16(C)(1)(a) requires that, for a county, the limits shall be ten thousand dollars per mile for construction or reconstruction of a road and forty thousand dollars for construction, reconstruction, maintenance, or repair of a bridge or culvert.

During 2013, testing disclosed the County Road 42 and County Road 501 paving projects performed by the County Engineer's office by force account exceeded the thirty thousand dollar per mile limit, by $80,993/mile and $8,518/mile, respectively.

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

Finding Number 2013-004 (Continued)

Noncompliance - Ohio Rev. Code § 5543.19 (Continued)

While the County Engineer completed the form developed by by the Auditor of State under § 117.16 and created an estimate of the cost of the work on each of these projects, the County Engineer failed to include costs of the materials in the estimates. This resulted in low and inaccurate estimates of costs for each project. Had the costs of materials been included in the estimates, the total estimated cost of the work for each project would have exceeded thirty thousand dollars per mile requiring competitive bidding on the projects.

As a result, the County is in a penalty phase for two years from the date of notification, provided to the County on December 10, 2014, reducing the County's force account limits to ten thousand dollars per mile for construction or reconstruction of a road and forty thousand dollars for construction, reconstruction, maintenance, or repair of a bridge or culvert.

We recommend the County Engineer follow the force account limitations set forth in the Revised Code for counties to avoid incurring additional penalties.

Officials' Response: The Engineers office has adjusted the method we use for estimating projects. When estimating a project, we include all costs on the force account estimate form. Also, we have adjusted an estimate threshold to reflect the penalty phase requirements.

Finding Number 2013-005

Finding for Adjustment/Noncompliance

Ohio Rev. Code § 5705.10(D) requires, in part, that all revenue derived from a source other than the general property tax, for which the law does not prescribe use for a particular purpose, including interest earned on the principal of any special fund, regardless of the source or purpose of the principal, shall be paid into the general fund.

In 2012, the County improperly posted $75,000 of oil and gas lease revenue to the Sinking Fund. Instead, this revenue should have been posted to the General Fund. An adjustment was proposed in the 2012 audit for this improper posting; however, such was not posted by the County. We proposed an adjustment in the current audit and the County declined to post this adjustment.

In accordance with the foregoing facts, we hereby issue a finding for adjustment against the Sinking Fund for $75,000 in favor of the General Fund.

We recommend the County post future oil and gas lease bonus and/or royalties monies to the General Fund.

Officials' Response: The county is now posting all oil and gas money into the general fund.

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

Finding Number 2013-006

Noncompliance

Ohio Rev. Code § 5705.10(I) provides that money paid into any fund shall be used for the purpose for which it was established. The following funds had deficit balances as of December 31, 2013:

Fund	Balance
Government Center	($58,457)
Magistrate	(61,699)
Light Program	(7,735)
Harrison Economic Development	(277,221)
Med Reserve	(45,251)
County Water	(17,458)
2nd Half Real Estate	(35,026)

The deficit balances indicate that money from another fund(s) has been used to pay the obligations of the aforementioned funds.

The County Commissioners should review the County's finances and formulate a plan for the elimination of the deficit balance.

Officials' Response: The County is in the process of eliminating all deficit balances. Any deficit balance will be advanced from the general fund and then repaid once the receipts come in.

Finding Number 2013-007

Noncompliance

Ohio Rev. Code § 5705.39 requires, in part, the total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the budget commission.

At December 31, 2013, the following funds were noted as having appropriations which exceeded estimated resources:

Fund	Appropriations	Estimated Resources	Variance
Gas Tax (K00)	$3,992,537	$3,551,694	$440,843
Children Services (S04)	1,205,000	809,146	395,854
County Water (U41)	300,000	171,801	128,199

As a result, deficit spending could occur.

We recommend the County ensure appropriations are within estimated resources.

Officials' Response: The County will do a better job of making sure appropriations do not exceed estimated revenue.

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

Finding Number 2013-008

Noncompliance

Ohio Rev. Code § 5705.41(B) requires that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated.

At December 31, 2013, the following fund was noted as having expenditures which exceeded appropriations:

Fund	Expenditures	Appropriations	Variance
Debt Service (O01)	$107,453	$0	$107,453

The failure to limit expenditures to the amount appropriated by the County Commissioners could result in overspending and negative cash balances.

We recommend the County Auditor not certify the availability of funds and should deny payment requests exceeding appropriations. The County Auditor may request that the County Commissioners approve increased appropriations and amend estimated resources, if necessary.

Officials' Response: The debt paid from the Debt Service fund has been paid off and once our new employee is fully trained this should not happen again.

Finding Number 2013-009

Noncompliance

Ohio Rev. Code § 5705.41(D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. Then and Now Certificate – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the County may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid. If the amount involved is less than $100 the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Commissioners if such expenditure is otherwise valid.

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

Finding Number 2013-009 (Continued)

Noncompliance - Ohio Rev. Code § 5705.41(D) (Continued)

2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not be, limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

3. Super Blanket Certificate – The County may also make expenditures and contracts for any amount from a specific line item appropriation in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket may be outstanding a particular time for any line item appropriation.

The County did not certify the availability of funds for 50% of tested expenditures in 2013. The County did not utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval.

We recommend to improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, the County Auditor should certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

Officials' Response: Most of the County offices use Blanket and super Blanket Certificates. We are trying to get all departments to use them or to get preapproval before spending any funds.

Finding Number 2013-010

Significant Deficiency

In order to provide a framework by which County assets will be safeguarded, the County Treasurer should prepare accurate reconciliations of the County's bank balances to the County's book balances monthly. Variances should be investigated to determine the nature of the variance, and corrections should be posted.

Our test of the December 31, 2013 reconciliation indicated the County was not accurately reconciled. As a result, financial assets of the County were not properly safeguarded.

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

Finding Number 2013-010 (Continued)

Significant Deficiency (Continued)

Several common practices in the County Treasurer's office hindered the County Treasurer's ability to safeguard the County's assets and prepare accurate monthly bank to book reconciliations. These practices include:

- The County Treasurer's office provides a check cashing service to other County offices.
- The County Treasurer's records maintained a balance for a checking account and an electronic funds transfer (EFT) account when the County no longer has an EFT account and all EFT transactions are received in the checking account.
- Reconciling items such as NSF checks and EFT's not yet posted are not supported by adequate documentation.
- The list of warrants outstanding at December 31, 2013 was not accurate.

We recommend the Treasurer discontinue the practice of cashing checks for other County offices. Any County official whose office has a need to have cash on hand for change, should prepare written procedures for a change drawer with a set amount of cash to start each day with. Any cash collected over the start-up amount should be receipted on a pay-in. Also, the County Treasurer's records should only reflect the depository accounts actually maintained through the County's depositories. In addition, schedules of items such as NSF checks, EFT's not posted, and outstanding warrants should be maintained to support the amounts on the monthly reconciliations. These schedules then can be updated each month to allow for easier follow-up on these reconciliation items.

Official's Response: Discontinued check cashing for other county offices, EFT account is zeroed out with no activity and only one account, and documentation of NSF checks and EFT's at month end maintained.

Finding Number 2013-011

Material Weakness

The County has failed to take an active role in addressing prior audit noncompliance. The County's Fiscal Report Review Committee failed to meet on a regular basis to address noncompliance issues noted in the audit of the County. This has resulted in material weaknesses in the financial cycles that have gone unaddressed.

As elected officials are the administrative body of the County, it is imperative the Commissioners, Auditor and Treasurer take an active role in monitoring the County's legal compliance, financial condition and controls to safeguard the County's assets.

This would help ensure the County's accounting and financial practices are being monitored.

We recommend the Fiscal Report Review Committee meet regularly and implement steps to correct noncompliance issues and weaknesses in the financial cycles.

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

Finding Number 2013-011 (Continued)

Material Weakness (Continued)

The Committee should meet and include but not be limited to:

- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

Official's Response: The county official's on the Fiscal Report Review Committee need to do a better job of meeting and planning, we will make an effort to meet on a regular basis.

Finding Number 2013-012

Material Weakness

Auditor of State Bulletin 2002-004 states that the Ohio Public Works Commission (OPWC) will make payments to the contractor(s) for its share based on invoices submitted by the fiscal officer or to the local government as a reimbursement. For payments made to the contractor, the State will notify the fiscal officer of the amount disbursed. Upon receipt of this notice, each local government shall record a receipt and expenditure in the capital projects fund equal to the amount disbursed by the OPWC.

The County did not correctly post Issue II receipts and disbursements to the County's accounting ledgers in 2013. The OPWC on-behalf of payment was reflected on the annual financial statements, but was not posted to the County's accounting system. In addition, an audit adjustment was required to reduce the amount posted by $90,818 in order to reflect the proper amount of Issue II grant monies paid to contractors on-behalf-of the County in 2013.

Failure to consistently follow a uniform chart of accounts increases the possibility that the County will not be able to identify, assemble, analyze, classify, record, and report its transactions correctly or to document compliance with finance-related legal and contractual requirements.

The County Auditor should maintain the accounting system to enable the County to identify, assemble, analyze, classify, record and report all transactions and to maintain accountability. The County Auditor should review Auditor of State Bulletin 2002-004 which provides guidance for accounting of on-behalf of grants. The County should adopt procedures for the review of posted transactions and subsequent reporting on the financial statements. Further, the County Engineer should ensure the County Auditor is notified timely of all grant payments to contractors on-behalf-of the County.

Official's Response: Starting in calendar year 2015 the county will post all OPWC payments to the county ledgers.

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

Finding Number 2013-013

Material Weakness

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

The following adjustments were noted in 2013:

- Grant money from the State of Ohio for the Person with Disabilities Act (PDA) Fund was not posted to the County's ledgers in the amount of $6,923.
- Receipts and disbursements in the amounts of $30 and $8,643, respectively, in the Bicentennial Bell Fund should have been posted to the General Fund.

The following reclassifications were noted in 2013:

- Disbursements in the amount of $12,726 in the County Water Fund were improperly posted as Note Retirement and should have been posted as Personal Services.
- Grant money in the amount of $358,105 in the Rural Transit Fund was improperly posted as Charges for Services and should have been posted as Non-operating Revenue-Grants.
- Grant money in the amount of $120,934 in the Juvenile Reclaimed Money Fund was improperly posted as Charges for Services and should have been posted as Intergovernmental.
- State funds in the amount of $472,909 in the Bureau of Support Fund were improperly posted as Charges for Services and should have been posted as Intergovernmental.
- State funds in the amount of $337,501 in the Children Services Fund were improperly posted as All Other Revenue and should have been posted as Intergovernmental.
- Receipts for materials purchased from the County Engineer by other entities in the amount of $1,913,896 in the Road & Bridge Fund were improperly posted as Intergovernmental and should have been Charges for Services.
- Disbursements in the amount of $1,247,408 in the PDA Fund were improperly posted as Judicial and should have been posted as Health.
- Disbursements in the amount of $137,930 in the Juvenile Reclaimed Money Fund were improperly posted as Public Safety and should have been Judicial.
- Disbursements in the amount of $3,222,693 in the Gas Tax Fund were improperly posted as Public Safety and should have been Public Works.
- Fund balances in the amounts of $1,930,811, $183,732, and $7,967 in the Permanent Improvement, Ambulance Replacement, and Capital Improvement Funds, respectively, were improperly posted as Committed and should have been posted as Restricted.
- Fund balances in the amounts of $96,768 and $51,966 in the Unclaimed Money and AEP Trust Funds, respectively, were improperly posted as Committed and should have been Restricted.

In addition, the Engineer Industrial Park Fund was adjusted from a Permanent Fund to a Debt Service Fund, the U-Trust Fund was adjusted from a Permanent Fund to an Agency Fund, and the Local Match Fund was adjusted from a Capital Projects Fund to an Enterprise Fund.

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

Finding Number 2013-013 (Continued)

Material Weakness (Continued)

The adjustments with which the County Auditor agreed are reflected within the accompanying financial statements. Also, several adjustments/reclassifications that were not material were posted to the summary of unadjusted differences (SUD) form.

We recommend the County appropriately classify and record all receipt and expenditure transactions based on the source of the receipt and purpose of the expenditure.

Official's Response: The county auditor's office has limited staff and limited space. We rely on the offices to correctly list revenue when making a pay-in. We have made all the adjustments from the prior audit and hopefully correct them for this audit.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2013

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2012-01	Ohio Admin. Code § 117-2-03(B), did not prepare financial statements in accordance with GAAP.	No	Not Corrected; Reissued as Finding No. 2013-001.
2012-02	Ohio Rev. Code § 321.23, County Treasurer issued loans of county monies to County Engineer and Board of Elections.	No	Not Corrected; Reissued as Finding No. 2013-003.
2012-03	Ohio Rev. Code §§ 5705.09 and 5705.12, establishment and proper approval for Bicentennial Bell Fund.	Yes	N/A.
2012-04	Ohio Rev. Code § 5705.10(I), deficit fund balances at year-end for several funds.	No	Not Corrected; Reissued as Finding No. 2013-006.
2012-05	Ohio Rev. Code § 5705.13(C), establishment of the Local Match Fund, a capital projects fund without a resolution.	Yes	N/A.
2012-06	Ohio Rev. Code § 5705.38, expenditures exceeded appropriations for a few funds.	No	Partially Corrected; Reissued as Finding No. 2013-008.
2012-07	Ohio Rev. Code § 5705.41(D), failure to certify expenditures prior to incurring obligations.	No	Not Corrected; Reissued as Finding No. 2013-009.
2012-08	Material Weakness – Failure to adopt GASB Statement 54.	Yes	N/A.
2012-09	Material Weakness – Failure to properly classify receipts and disbursements within several funds.	No	Not Corrected; Reissued as Finding No. 2013-013.
2012-10	Material Weakness – Failure to address prior audit noncompliance.	No	Not Corrected; Reissued as Finding No. 2013-011.
2012-11	Material Weakness – Safe guard of public monies and reconciliations in the County Treasurer's office.	No	Not Corrected; Reissued as Finding No. 2013-010.
2012-12	2 C.F.R. § 225, Appendix A § (C)(3)(a), Allowability of federal expenditures.	Yes	N/A.
2012-13	49 U.S.C. § 5311(g)(1)(a) – Failure to implement internal control procedures over matching requirements.	Yes	N/A.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2012-14	2 C.F.R. Part 225 Appendix B § (8)(h)(4) – Failure by employees from the County Child Support Enforcement Agency to maintain time and effort log.	Yes	N/A.
2012-15	45 C.F.R. Part 304.21 (C) and 45 C.F.R. Part 304.15 – Lack of an approved cost allocation plan for indirect costs related to Title IV-D.	Yes	N/A.
2012-16	2 C.F.R. § 215.22(b)(2) – Failure to follow cash management requirements.	Yes	N/A.
2012-17	Ohio Admin. Code § 5101: 9-7-29 Part (C)(2)(a) through (c) – Failure of the County Child Support Agency to submit quarterly financial statements timely for certification by the County Auditor.	Yes	N/A.
2012-18	2 C.F.R. § 225, Appendix A § (C)(3)(a), Allowability of federal expenditures.	Yes	N/A.
2012-19	Material Weakness – Failure by Rural Transit to implement controls over the reporting process.	Yes	N/A.
2012-20	Material Weakness – Failure by Rural Transit to implement controls over allowable activities / costs, period of availability, procurement, cash management and reporting.	Yes	N/A.

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HARRISON COUNTY

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 31, 2015