



Dave Yost • Auditor of State

HARRISON COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Governmental Fund Types – For the Year Ended December 31, 2014	3
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, 2014	4
Notes to the Financial Statements	5
Schedule of Federal Awards Expenditures	21
Notes to the Schedule of Federal Awards Expenditures	24
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	25
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	27
Schedule of Findings – OMB Circular A-133 § .505	31
Schedule of Prior Audit Findings - OMB Circular A-133 § .315(b).....	35
Corrective Action Plan - OMB Circular A -133 § .315(c)	36

This page intentionally left blank.



Dave Yost • Auditor of State

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, 2014, 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.

Basis for Adverse Opinion

As described in Note 1B of the financial statements, the County prepared these financial statements using the 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 operations, and cash flows, where applicable, of Harrison County, Ohio as of and for the year ended December 31, 2014 in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 express 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 January 19, 2016, 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

January 19, 2016

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, 2014

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Taxes	\$5,420,716	\$1,926,967	\$0	\$991,840	\$0	\$8,339,523
Charges for Services	673,316	4,566,350	0	0	0	5,239,666
Licenses and Permits	995	0	0	0	0	995
Fines and Forfeitures	145,860	185,201	0	0	0	331,061
Intergovernmental Revenue	616,430	7,918,430	0	201,837	0	8,736,697
Special Assessments	0	15,237	0	0	0	15,237
All Other Revenue	42,180	586,525	0	0	4,439	633,144
Total Cash Receipts	6,899,497	15,198,710	0	1,193,677	4,439	23,296,323
Cash Disbursements						
General Government:						
Legislative and Executive	2,437,902	880,922	0	0	0	3,318,824
Judicial	703,872	789,812	0	0	0	1,493,684
Public Safety	737,897	712,325	0	0	0	1,450,222
Public Works	29,983	5,892,766	0	0	0	5,922,749
Health	0	1,478,865	0	0	0	1,478,865
Human Services	138,023	5,702,863	0	0	0	5,840,886
Miscellaneous	0	25,326	0	0	0	25,326
Capital Outlay	0	0	0	642,536	20,300	662,836
Debt Service:						
Note Principal Payment	4,200	345,098	0	0	0	349,298
Interest and Fiscal Charges	0	57,749	0	0	0	57,749
Total Cash Disbursements	4,051,877	15,885,726	0	642,536	20,300	20,600,439
Total Cash Receipts Over (Under) Cash Disbursements	2,847,620	(687,016)	0	551,141	(15,861)	2,695,884
Other Financing Receipts (Disbursements)						
Operating Transfers In	0	970,323	0	3,000,000	0	3,970,323
Operating Transfers Out	(3,970,323)	0	0	0	0	(3,970,323)
Advances In	87,000	273,171	0	0	0	360,171
Advances Out	(446,811)	0	0	0	0	(446,811)
Other Financing Sources	1,847,791	0	0	0	0	1,847,791
Other Financing Uses	(107,000)	0	0	0	0	(107,000)
Total Other Financing Receipts (Disbursements)	(2,589,343)	1,243,494	0	3,000,000	0	1,654,151
Total Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	258,277	556,478	0	3,551,141	(15,861)	4,350,035
Fund Cash Balances, January 1 - Restated See Note 3	4,100,834	4,513,673	126	2,122,509	192,378	10,929,520
Fund Cash Balances, December 31						
Restricted	0	5,273,232	0	5,673,650	152,383	11,099,265
Committed	0	277	126	0	24,134	24,537
Unassigned (Deficit)	4,359,111	(203,358)	0	0	0	4,155,753
Fund Cash Balances, December 31	\$4,359,111	\$5,070,151	\$126	\$5,673,650	\$176,517	\$15,279,555

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, 2014

	Proprietary Fund Types	Fiduciary Fund Types	Totals
	Enterprise	Agency	(Memorandum Only)
Operating Cash Receipts			
Charges for Services	\$710,249	\$542,626	\$1,252,875
<i>Total Operating Cash Receipts</i>	<u>710,249</u>	<u>\$542,626</u>	<u>1,252,875</u>
Operating Cash Disbursements			
Personal Services	786,560	0	786,560
Capital Outlay	164,146	0	164,146
<i>Total Operating Cash Disbursements</i>	<u>950,706</u>	<u>0</u>	<u>950,706</u>
<i>Operating Income (Loss)</i>	<u>(240,457)</u>	<u>542,626</u>	<u>302,169</u>
Non-Operating Receipts (Disbursements)			
Grants	299,490	0	299,490
Other Non-Operating Revenue	0	29,175,474	29,175,474
Other Non-Operating Expense	0	(29,964,773)	(29,964,773)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>299,490</u>	<u>(789,299)</u>	<u>(489,809)</u>
<i>Income (Loss) before Advances</i>	<u>59,033</u>	<u>(246,673)</u>	<u>(187,640)</u>
Advance In	86,640	0	86,640
<i>Net Change in Fund Cash Balances</i>	<u>145,673</u>	<u>(246,673)</u>	<u>(101,000)</u>
<i>Fund Cash Balances, January 1</i>	<u>8,027</u>	<u>1,860,084</u>	<u>1,868,111</u>
<i>Fund Cash Balances, December 31</i>	<u><u>\$153,700</u></u>	<u><u>\$1,613,411</u></u>	<u><u>\$1,767,111</u></u>

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

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014

1. Summary of Significant Accounting Policies

A. Description of the County

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

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:

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

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, 2014 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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

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.

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 three 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:

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.

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

G. Fund Balance (Continued)

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.

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;

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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 its 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;
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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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, 2014, \$9,482,457 of the County's bank balance of \$16,983,646 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. Restatement of Fund Balances

In prior years, the Sinking Fund was reported as a Special Revenue Fund. Since there is no statutory authority for this fund to exist, the balance is now reported in the General Fund. These changes are reflected below:

	General Fund	Special Revenue
Fund Balance, December 31, 2013	\$3,950,834	\$4,663,673
Restatement	150,000	(150,000)
Restated, Fund Balance, December 31, 2013	\$4,100,834	\$4,513,673

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.

5. Budgetary

Budgetary activity for the year ending December 31, 2014, follows:

2014 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$7,443,540	\$8,834,288	\$1,390,748
Special Revenue	16,215,274	16,442,204	226,930
Capital Projects	4,094,900	4,193,677	98,777
Permanent	10,900	4,439	(6,461)
Enterprise	1,256,890	1,009,739	(247,151)
Total	\$29,021,504	\$30,484,347	\$1,462,843

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

5. Budgetary (Continued)

2014 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Actual Expenditures	Variance
General	\$9,149,550	\$8,576,011	\$573,539
Special Revenue	18,456,001	15,885,726	2,570,275
Capital Projects	1,902,966	642,536	1,260,430
Permanent	55,000	20,300	34,700
Enterprise	1,034,104	950,706	83,398
Total	\$30,597,621	\$26,075,279	\$4,522,342

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, 2014, was \$13.42 per \$1,000 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 2014 property tax receipts were based are as follows:

Real Property Tax	
Residential/Agricultural	\$233,606,664
Commercial/Industrial	48,827,370
Public Utilities	1,050,000
Tangible Personal Property	
Public Utilities	<u>28,953,320</u>
Total Valuation	<u>\$312,437,354</u>

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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

7. Debt Obligations

Debt outstanding at December 31, 2014, consisted of the following:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$398,719	5.6-5.75%
General Obligation Notes	101,257	1.5%-3%
Ohio Public Works Commission Loans	699,687	0%
Ohio Water Development Authority Loans	424,761	0-3.95%
Leases	24,223	4.29%
Total	<u>\$1,648,647</u>	

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. Except for the loan for the storage yard cleanup, which is paid with gasoline tax monies, the amounts outstanding as of December 31, 2014 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 was paid off during 2014. 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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

7. Debt Obligations (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2014, including interest, are as follows:

Year ending December 31:	Ohio Public Works Commission	OWDA Loans	General Obligation Bonds	General Obligation Notes	Leases
2015	\$76,330	\$56,290	\$67,400	\$62,401	\$25,896
2016	76,330	56,290	67,400	29,601	
2017	76,330	56,290	67,400	12,401	
2018	76,330	56,290	67,400		
2019	76,330	56,290	67,400		
2020-2024	305,949	169,195	151,650		
2025-2029	50,254	31,933			
Total	<u>\$737,853</u>	<u>\$482,578</u>	<u>\$488,650</u>	<u>\$104,403</u>	<u>\$25,896</u>

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

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; 16% of the proceeds are capital projects fund revenue to be appropriated for capital improvements; and 1% are Government Center Revenues for the repayment of the Government Center Debt. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2014 amounted to \$5,602,192.

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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2014 (Continued)

10. Defined Benefit Pension Plan (Continued)

Ohio Public Employees Retirement System (Continued)

For the year ended December 31, 2014, 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 13 percent of their annual covered salary; members in public safety contributed 12 percent. The County's contribution rate for pension benefits for 2014 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 18.1 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, 2014, 2013, and 2012 were \$973,797, \$893,681 and \$883,504. One hundred percent has been contributed for 2014, 2013, and 2012.

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

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, 2014, 2013 and 2012 was \$15,269, \$14,997, and \$15,374 respectively. 100% of has been contributed for 2014, 2013 and 2012. No contributions were made to the DC and Combined Plan for fiscal year 2014 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 2014, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 18.1%.

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)**

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 and Combined Plan was 1.0 percent for 2013. Effective January 1, 2014, the portion of employer contributions allocated to the healthcare was increased to 2 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 or 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, 2014, 2013, and 2012 were \$19,476, \$8,936, and \$35,340 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 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care through July 1, 2014. The County's contributions for health care for the fiscal years end December 31, 2014, 2013 and 2012 were \$0, \$1,071, and \$1,098. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

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.

HARRISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014
(Continued)

13. Subsequent Events

- A. On June 4, 2015, the County Commissioners approved purchase of a service agreement with CSX Transportation for the purchase of 251.2 acres at a purchase price of \$656,560.
- B. On July 29, 2015, the County Commissioners approved financing with Huntington National Bank or related subsidiary for a loan for the tower equipment totaling \$764,601.

This page intentionally left blank.

HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. Department of Agriculture			
<i>Passed through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB14	\$91,823
		JFSCFB15	39,918
		JFSFFP14	1,638
		JFSCFP15	144
		JFSFF114	4,224
		JFSCF115	5,470
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>143,217</u>
Total U.S. Department of Agriculture			143,217
U. S. Department of Housing and Urban Development			
<i>Passed through the Ohio Department of Development</i>			
Community Development Block Grants - State's Program	14.228	B-C-13-1BE-1	168,916
		B-F-13-1BE-1	75,000
Total U.S. Department of Housing and Urban Development			<u>243,916</u>
U.S. Department of Education			
<i>Passed through the Ohio Department of Education</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173	2014	11,954
		2015	4,849
Total Special Education - Preschool Grants			<u>16,803</u>
Total U.S. Department of Education			<u>16,803</u>
U.S. Department of Homeland Security			
<i>Passed Through the State Emergency Management Agency</i>			
Emergency Management Performance Grants	97.042	EMPG FY 2013	14,372
		EMPG FY 2014	9,812
Total Emergency Management Performance Grants			<u>24,184</u>
Homeland Security Grant Program	97.067	2011	98
Total U.S. Department of Homeland Security			<u>24,282</u>
U. S. Department of Health and Human Services			
<i>Passed Through the Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	93.667		10,714
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	93.556	JFSFPF14	537
		JFSCPF15	737
Total Promoting Safe and Stable Families			<u>1,274</u>
Temporary Assistance for Needy Families	93.558	JFSFTF14	360,778
		JFSCTF15	104,009
Total Temporary Assistance for Needy Families			<u>464,787</u>
Child Support Enforcement	93.563		396,134
Child Support Training Allocation			1,000
Child Support Incentive			57,712
Total Child Support Enforcement			<u>454,846</u>
Child Care and Development Block Grant	93.575	JFSFCD14	15,359
Community-Based Child Abuse Prevention Grant	93.590	JFSFCB13	1,626

HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditure
U. S. Department of Health and Human Services (Continued)			
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>			
Foster Care Title IV-E	93.658	JFSFFC14	\$59,865
		JFSCFC15	15,945
IV-E Reimbursement			161,684
Total Foster Care Title IV-E			<u>237,494</u>
Adoption Assistance	93.659	JFSFAA14	59,699
		JFSFAA15	2,750
		JFSCAA15	18,736
Total Adoption Assistance			<u>81,185</u>
Social Services Block Grant	93.667	JFSFSS14	59,386
		JFSCSS15	33,585
		JFSCTX14	23,290
		JFSCTX15	28,073
Total Social Services Block Grant			<u>144,334</u>
Medical Assistance Program	93.778	MCDFMT14	346,297
		MCDFMT15	93,697
Total Medical Assistance Program			<u>439,994</u>
Total U.S. Department of Health and Human Services			1,851,613
U.S. Department of Labor			
<i>Passed Through Workforce Investment Act Area 16</i>			
Workforce Investment Act Cluster:			
WIA Adult Program	17.258		41,018
WIA Youth Activities	17.259		23,805
Rapid Response	17.278		9,979
WIA Dislocated Worker Formula Grants			<u>25,962</u>
Total WIA Dislocated Worker Formula Grants			<u>35,941</u>
Total Workforce Investment Act Cluster			100,764
WIA National Emergency Grants	17.277	NEG-OH26	201,720
		NEG-OH27	1,960
Total WIA Workforce Investment Emergency Grants			<u>203,680</u>
Total U.S. Department of Labor			304,444
U.S. Election Assistance Commission			
<i>Passed Through the Ohio Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	Pollworker 34	383
Voting Access for Individuals with Disabilities - Grants to States	93.617	PTWI & PWTO	880
Total U.S Election Assistance Commission			<u>1,263</u>

HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditure
U.S. Department of Justice			
<i>Passed through the Ohio Department of Public Safety</i>			
ARRA-Violence Against Women Formula Grants, Recovery Act	16.588	2013-WF-VA2-8914	\$28,641
Total U.S. Department of Justice			28,641
U.S. Department of Transportation			
<i>Passed through the Ohio Department of Transportation</i>			
Formula Grants for Rural Areas	20.509	RFT-4101-034-141	41,864
		RFT-0104-034-143	23,391
		RFT-0034-033-132	40,506
		SECT-9SCH-005-141	231
Total Formula Grants for Rural Areas			105,992
State of Good Repair Grants Program	20.525	SUA-0034-100-141	123,640
Total U.S. Department of Transportation			229,632
Total Federal Awards Expenditures			\$2,843,811

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

HARRISON COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.



Dave Yost • Auditor of State

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

Harrison 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, 2014, and the related notes to the financial statements, and have issued our report thereon dated January 19, 2016, 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.

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 opinion 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.

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 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings that we consider a significant deficiency. We consider Finding 2014-002 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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2014-001.

County'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
Auditor of State
Columbus, Ohio

January 19, 2016



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 Federal Program

We have audited the 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, 2014. The *Summary of Auditor's Results* in 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 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying Schedule of Findings as item 2014-003. This finding did not require us to modify our compliance opinion on each major federal program.

The County's response to our noncompliance finding is described in the accompanying Corrective Action Plan. We did not audit the County's response and, accordingly, we express no opinion on it.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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's 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 a 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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item 2014-003 to be a material weakness.

The County's response to our internal control over compliance finding is described in the accompanying Corrective Action Plan. We did not audit the County's response and, accordingly, we express no opinion on it.

This report only describes the scope of our internal control over 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.

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

Dave Yost
Auditor of State
Columbus, Ohio

January 19, 2016

This page intentionally left blank.

HARRISON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • Temporary Assistance for Needy Families (TANF) - CFDA #93.558 • Child Support Enforcement – CFDA #93.563 • Foster Care Title IV-E – CFDA #93.658 • Medical Assistance Program – CFDA #93.778 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

Finding Number 2014-001

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 material assets, liabilities, fund equities, and disclosures.

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

HARRISON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014
(Continued)

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

Finding Number 2014-001 (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: The County Auditor's Office is not going to borrow any money, we do not see the benefit in spending the extra money to obtain a GAAP report. The money saved benefits our taxpayers in other needed areas.

Finding Number 2014-002

Significant Deficiency

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 County did not always record receipts and expenditures into accurate fund and/or classifications on the financial statements based upon the source of the receipt or nature of the disbursement.

The following errors were noted:

- Receipts in the amount of \$4,707 were posted to the Gasoline Tax Fund and should have been posted to the Water Fund.
- Advances In/Out activity in the amount of \$87,000 for the Local Match Fund, which was received and repaid during 2014 was improperly included on the financial statements as a Grants receipt and Capital Outlay disbursement.
- Receipts for fuel payments, copy fees, and permit fees for the Engineer's office in the amount of \$685,563 in the Gasoline Tax Fund were improperly posted as Intergovernmental and should have been Charges for Services.

The adjustments noted above, with which management agrees, have been made and are reflected in the accompanying financial statements.

Additionally, the following errors were noted that were not deemed significant and are not reflected in the accompanying financial statements:

- Advances In/Out activity in the amount of \$87,000 for the General Fund, which was paid and repayment received during 2014 was improperly included on the financial statements
- Receipts for Issue II grants for the County Engineer in the amount of \$119,166 in the Road and Bridge Fund were improperly posted as Charges for Services and should have been Intergovernmental.

HARRISON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014
(Continued)

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

Finding Number 2014-002 (Continued)

Significant Deficiency (Continued)

- Receipts in the amount of \$172,316 in the Children Services Fund from various governmental entities were improperly posted as Other Receipts and should have been posted as Intergovernmental.
- Receipts from the State for Public Defender costs in the amount of \$85,785 in the General Fund were improperly posted as Intergovernmental and should have been Charges for Services.
- Receipts in the amount of \$19,183 in the Local Match Fund for various transportation costs were improperly posted as Intergovernmental and should have been posted as Other Non-Operating Revenue in the amount of \$10,555 and Charges for Services in the amount of \$8,628.
- A receipt from the Georgetown Water District for a local match in the amount of \$15,000 in the Rte. 519 Waterline Fund was improperly posted as Charges for Services and should have been Intergovernmental.

The County should utilize available authoritative resources to appropriately classify and record all receipt and expenditure transactions.

Official's Response: All adjustments have been made and hopefully have been corrected in 2015.

3. FINDING FOR FEDERAL AWARDS

Finding Number	2014-003
CFDA Title and Number	Child Support Enforcement – CFDA #93.563 Foster Care Title IV-E – CFDA #93.658
Federal Award Number / Year	2014
Federal Agency	U.S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance and Material Weakness – Federal Schedule

Office of Management and Budget (OMB) Circular A-133, Section .310 (b) requires recipients to prepare a Schedule of Federal Awards Expenditures that should include, among other things, providing the total federal awards expended for each individual federal program.

HARRISON COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2014
(Continued)

3. FINDING FOR FEDERAL AWARDS (Continued)

Finding Number 2014-003
(Continued)

Noncompliance and Material Weakness – Federal Schedule (Continued)

The Schedule of Federal Awards Expenditures prepared by the County had the following significant errors:

Federal Program	CFDA Number	Originally Reported Expenditures	Actual Expenditures	Variance
Child Support Enforcement	93.563	\$1,274	\$454,846	\$453,572
Foster Care Title IV-E	93.658	75,810	237,494	161,684

Various other insignificant errors in reporting other federal program expenditures were noted as well.

Errors and omissions to the Schedule of Federal Awards Expenditures could have an adverse effect on future grant awards by the awarding agency or agencies in addition to an inaccurate assessment of major federal programs that would be subjected to audit. The County's Schedule of Federal Awards Expenditures has been adjusted accordingly.

County departments should review all grant and loan awards and be familiar with federal reporting requirements. Departments should implement a system to track all federal expenditures and related information separately from other expenditures and report federal expenditures with proper support including, but not limited to, grant agreements, calculation of the expenditures, and any federal reporting requirements. This will help ensure the Federal Awards Expenditure Schedule is complete and accurate and major federal programs are correctly identified for audit.

Official's Response: See Corrective Action Plan on page 36.

HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)
DECEMBER 31, 2014

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2013-001	Ohio Admin. Code § 117-2-03(B), did not prepare financial statements in accordance with GAAP.	No	Not Corrected; Reissued as Finding No. 2014-001.
2013-002	Ohio Rev. Code § 9.38, failure to deposit monies collected with the Treasurer once every twenty four hours.	No	Partially Corrected; Reissued in management letter.
2013-003	Ohio Rev. Code § 321.23, County Treasurer issued loans of county monies to County Engineer.	No	Partially Corrected; Reissued in management letter.
2013-004	Ohio Rev. Code § 5543.19, County Engineer's office exceeded force account limit.	Yes	N/A.
2013-005	Ohio Rev. Code § 5705.10(D), failure to post oil and gas lease revenue to proper fund.	Yes	N/A.
2013-006	Ohio Rev. Code § 5705.10(I), deficit fund balances at year-end for several funds.	No	Partially Corrected; Reissued in management letter.
2013-007	Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources for a few funds.	No	Partially Corrected; Reissued in management letter.
2013-008	Ohio Rev. Code § 5705.41(B), expenditures exceeded appropriations in Debt Service Fund.	Yes	N/A.
2013-009	Ohio Rev. Code § 5705.41(D), failure to certify expenditures prior to incurring obligations.	Yes	N/A.
2013-010	Significant Deficiency – Safe guard of public monies and reconciliations in the County Treasurer's office.	Yes	N/A.
2013-011	Material Weakness – Failure to address prior audit noncompliance.	No	Partially Corrected; Reissued in management letter.
2013-012	Material Weakness – Failure to properly post Ohio Public Works Commission receipts and disbursements.	Yes	N/A.
2013-013	Material Weakness – Failure to properly classify receipts and disbursements within several funds.	No	Not Corrected; Reissued as Finding No. 2014-002.

HARRISON COUNTY

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2014**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2014-003	The letter previously sent out to all Departments requesting information regarding federal grants has been revised to make it easier on them and make things less confusing. An example was provided to them as to the format of how it should be prepared and also provided information on the back of the new worksheet to assist them in properly capturing the Department's federal programs.	February 1, 2016	Patrick Moore, County Auditor and Ty Yosick, Deputy Auditor



Dave Yost • Auditor of State

HARRISON COUNTY FINANCIAL CONDITION

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
FEBRUARY 2, 2016