



Dave Yost • Auditor of State

HARRISON COUNTY
DECEMBER 31, 2016

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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, 2016, 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 significance of the matter discussed in the *Basis for Adverse Opinion* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Harrison County, Ohio, as of December 31, 2016, and the respective changes in financial position or cash flows thereof for the year then ended.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the County previously reported their self-insurance program for employee dental, eye, and life insurance benefits as an agency fund. This activity is now being reported in an internal service fund. We did not modify our opinion regarding this matter.

Other Matters

Supplementary Information

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 February 12, 2018, 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

February 12, 2018

Harrison County

Harrison County, Ohio

Combined Statement of Receipts, Disbursements,

and Changes in Fund Balances (Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 2016

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Totals (Memorandum Only)
Cash Receipts						
Property and Other Local Taxes	\$4,143,455	\$3,271,791	\$0	\$1,095,326	\$0	\$8,510,572
Charges for Services	604,077	3,372,010	0	0	0	3,976,087
Licenses and Permits	2,694	0	0	0	0	2,694
Fines and Forfeitures	88,373	69,310	0	0	0	157,683
Intergovernmental	725,058	8,216,547	0	271,112	0	9,212,717
Special Assessments	0	6,851	0	0	0	6,851
All Other Revenue	82,170	552,063	0	0	12,315	646,548
<i>Total Cash Receipts</i>	<u>5,645,827</u>	<u>15,488,572</u>	<u>0</u>	<u>1,366,438</u>	<u>12,315</u>	<u>22,513,152</u>
Cash Disbursements						
General Government						
Legislative and Executive	3,294,314	925,579	0	0	0	4,219,893
Judicial	1,023,316	799,862	0	0	0	1,823,178
Public Safety	886,233	1,233,099	0	0	0	2,119,332
Public Works	50,000	4,593,077	0	0	0	4,643,077
Health	0	1,570,031	0	0	0	1,570,031
Human Services	182,488	6,608,861	0	0	0	6,791,349
Miscellaneous	0	22,462	0	0	1,229	23,691
Capital Outlay	0	0	0	1,401,803	0	1,401,803
Debt Service:						
Note Principal Payment	4,211	143,218	0	0	0	147,429
Interest and Fiscal Charges	0	23,529	0	0	0	23,529
<i>Total Cash Disbursements</i>	<u>5,440,562</u>	<u>15,919,718</u>	<u>0</u>	<u>1,401,803</u>	<u>1,229</u>	<u>22,763,312</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>205,265</u>	<u>(431,146)</u>	<u>0</u>	<u>(35,365)</u>	<u>11,086</u>	<u>(250,160)</u>
Other Financing Receipts (Disbursements)						
Transfers In	0	1,530,344	0	0	0	1,530,344
Transfers Out	(1,930,344)	0	0	0	0	(1,930,344)
Advances In	83,528	251,000	0	0	0	334,528
Advances Out	(251,000)	(41,528)	0	0	0	(292,528)
Other Financing Sources	630,410	0	0	0	0	630,410
Other Financing Uses	(79,328)	0	0	0	0	(79,328)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(1,546,734)</u>	<u>1,739,816</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>193,082</u>
<i>Net Change in Fund Cash Balances</i>	<u>(1,341,469)</u>	<u>1,308,670</u>	<u>0</u>	<u>(35,365)</u>	<u>11,086</u>	<u>(57,078)</u>
<i>Fund Cash Balances, January 1</i>	<u>2,341,166</u>	<u>5,476,150</u>	<u>126</u>	<u>7,571,635</u>	<u>162,656</u>	<u>15,551,733</u>
Fund Cash Balances, December 31						
Restricted	0	6,787,137	0	7,536,270	168,301	14,491,708
Committed	0	0	126	0	5,441	5,567
Assigned	587,312	0	0	0	0	587,312
Unassigned (Deficit)	412,385	(2,317)	0	0	0	410,068
<i>Fund Cash Balances, December 31</i>	<u>\$999,697</u>	<u>\$6,784,820</u>	<u>\$126</u>	<u>\$7,536,270</u>	<u>\$173,742</u>	<u>\$15,494,655</u>

See accompanying notes to the basic financial statements

Harrison County*Harrison County, Ohio**Combined Statement of Receipts, Disbursements,
and Changes in Fund Balances (Cash Basis)**All Proprietary and Fiduciary Fund Types**For the Year Ended December 31, 2016*

	Proprietary Fund Types		Fiduciary Fund Types	Totals
	Enterprise	Internal Service	Agency	(Memorandum Only)
Operating Cash Receipts				
Taxes	\$0	\$0	\$365,853	\$365,853
Charges for Services	633,693	34,245	383,742	1,051,680
Intergovernmental	0	0	11,212	11,212
All Other Revenue	33,174	0	0	33,174
<i>Total Operating Cash Receipts</i>	<u>666,867</u>	<u>34,245</u>	<u>760,807</u>	<u>1,461,919</u>
Operating Cash Disbursements				
Personal Services	492,512	0	0	492,512
Contract Services	395,848	17,706	0	413,554
Supplies and Materials	232,148	0	0	232,148
Capital Outlay	108,759	0	0	108,759
<i>Total Operating Cash Disbursements</i>	<u>1,229,267</u>	<u>17,706</u>	<u>0</u>	<u>1,246,973</u>
<i>Operating Income (Loss)</i>	<u>(562,400)</u>	<u>16,539</u>	<u>760,807</u>	<u>214,946</u>
Non-Operating Receipts (Disbursements)				
Grants	590,555	0	0	590,555
Note Retirement	(13,211)	0	(132,553)	(145,764)
Interest Expense and Fiscal Charges	(2,476)	0	(20,368)	(22,844)
OWDA Loan Retirement	(28,068)	0	0	(28,068)
Other Non-Operating Revenue	24,378	0	51,919,563	51,943,941
Other Non-Operating Expense	0	0	(52,686,617)	(52,686,617)
<i>Total Non-Operating Receipts (Disbursements)</i>	<u>571,178</u>	<u>0</u>	<u>(919,975)</u>	<u>(348,797)</u>
<i>Income (Loss) before Transfers and Advances</i>	<u>8,778</u>	<u>16,539</u>	<u>(159,168)</u>	<u>(133,851)</u>
Transfers In	325,000	75,000	0	400,000
Advances Out	(42,000)	0	0	(42,000)
<i>Net Change in Fund Cash Balances</i>	<u>291,778</u>	<u>91,539</u>	<u>(159,168)</u>	<u>224,149</u>
<i>Fund Cash Balances, January 1 (Restated-See Note 4)</i>	<u>150,252</u>	<u>357,436</u>	<u>1,916,027</u>	<u>2,423,715</u>
<i>Fund Cash Balances, December 31</i>	<u>\$442,030</u>	<u>\$448,975</u>	<u>\$1,756,859</u>	<u>\$2,647,864</u>

See accompanying notes to the basic financial statements

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016

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

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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 types:

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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

1. Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (continued)

Internal Service Funds – These funds account for services provided by one department to other departments of the County on a cost reimbursement basis. The internal service fund accounts for the activities of the self insurance program for employee dental, eye, and life insurance benefits.

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, 2016 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 estimated resources.

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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

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.

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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

1. Summary of Significant Accounting Policies (Continued)

G. Fund Balance (Continued)

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 non-operating 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 are the primary activity of the fund. All receipts and disbursements not meeting this definition are reported as non-operating 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;

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

2. Equity in Pooled Deposits and Investments (Continued)

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 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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

2. Equity in Pooled Deposits and Investments (Continued)

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, 2016, \$5,386,966 of the County's bank balance of \$19,067,863 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. 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.

4. Restatement of Fund Balances

The County previously reported their self-insurance program for employee dental, eye, and life insurance benefits as an agency fund. This activity is now being reported in an internal service fund. The following effect on the County's beginning fund balances was noted at January 1, 2016:

	Internal Service	Agency
Fund Balance, January 1, 2016	\$0	\$2,273,463
Restatement	357,436	(357,436)
Restated, Fund Balance, January 1, 2016	<u>\$357,436</u>	<u>\$1,916,027</u>

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

5. Budgetary

Budgetary activity, excluding advances, for the year ending December 31, 2016, follows:

2016 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$6,355,295	\$6,276,237	(\$79,058)
Special Revenue	17,947,004	17,018,916	(928,088)
Capital Projects	1,295,622	1,366,438	70,816
Permanent	660,027	12,315	(647,712)
Enterprise	1,041,328	1,606,800	565,472
Internal Service	109,245	109,245	0
Total	\$27,408,521	\$26,389,951	(\$1,018,570)

2016 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$7,085,035	\$7,475,904	(\$390,869)
Special Revenue	20,288,506	16,331,534	3,956,972
Capital Projects	1,640,000	1,412,587	227,413
Permanent	4,736	5,965	(1,229)
Enterprise	2,062,124	1,273,462	788,662
Internal Service	75,000	17,706	57,294
Total	\$31,155,401	\$26,517,158	\$4,638,243

Contrary to Ohio Rev. Code § 5705.39, appropriations exceeded estimated resources in the Bureau of Support, Job and Family Services WIA and Rural Transit Funds by \$50,000, \$189,116 and \$69,157, respectively. Contrary to Ohio Rev. Code § 5705.41(B), budgetary expenditures exceeded appropriation authority in the General fund by \$390,869 and the Unclaimed Money Fund by \$1,229.

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, 2016, was \$14.42 per \$1,000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective rate was \$11.10 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$14.37 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.

HARRISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)

6. Property Tax (Continued)

The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

Real Property Tax	
Residential/Agricultural/Mineral	\$359,210,800
Commercial/Industrial	34,352,670
Public Utilities	1,257,120
Tangible Personal Property	
Public Utilities	<u>78,282,070</u>
Total Valuation	<u>\$473,102,660</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.

7. Capital Lease

The County currently has a lease-purchase agreement to finance the construction of a radio tower and purchase the related equipment. The lease agreement meets the criteria of a capital lease as defined by generally accepted accounting principles, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Payments made on the lease are included in Note 8, debt obligations.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2016:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2017	\$ 152,920
2018	152,920
2019	152,920
2020	<u>152,921</u>
Total minimum lease payments	\$ 611,681
Less: amount representing interest	<u>(41,899)</u>
Total	\$ <u>569,782</u>

8. Debt Obligations

Debt outstanding at December 31, 2016, consisted of the following:

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

8. Debt Obligations (Continued)

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$304,733	5.6-5.75%
General Obligation Notes	22,965	1.5%-3%
Ohio Public Works Commission Loans	547,028	0%
Ohio Water Development Authority Loans	331,461	0-3.95%
Lease (See Note 7)	569,782	2.9%
Total	<u>\$1,775,969</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, 2016 are expected to be repaid from charges for services collected. The County has set water rates sufficient to cover OWDA debt service requirements.

The annual requirements to amortize all debt outstanding as of December 31, 2016, including interest, are as follows:

Year ending December 31:	Ohio Public Works Commission	OWDA Loans	General Obligation Bonds	General Obligation Notes	Leases
2017	\$76,330	\$57,311	\$67,400	\$23,400	\$152,920
2018	76,330	57,311	67,400	0	152,920
2019	76,330	57,311	67,400	0	152,920
2020	74,826	49,311	67,400	0	152,921
2021	67,741	49,311	67,400	0	0
2022-2026	160,229	93,549	16,772	0	0
2027-2031	15,242	0	0	0	0
Total	<u>\$547,028</u>	<u>\$364,104</u>	<u>\$353,772</u>	<u>\$23,400</u>	<u>\$611,681</u>

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

9. 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. This rate is calculated based on accident history and administrative costs.

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 and dental insurance is provided by the County to employees.

Life Insurance

The County provides life insurance of \$15,000 to each employee under the age of 65. For employees aged 65 and older, the County provides life insurance at a reduced rate of \$7,500 per employee.

10. 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: 75% of the total proceeds, less \$5,617 per month for the repayment of the government center debt, are general fund revenue to be appropriated for general operating expenses; 17% of the proceeds are capital projects fund revenue to be appropriated for capital improvements; 0.5% of the proceeds are capital projects fund revenue to be appropriated for vehicle fleet, 2.5% of the proceeds are capital projects fund revenue to be appropriated for the government center, 3% of the proceeds are capital projects fund revenue to be appropriated for infrastructure,

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

10. Permissive Sales and Use Tax (Piggyback Sales Tax) (Continued)

1% of the proceeds are capital projects fund revenue to be appropriated for the justice center and recreational purposes. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2016 amounted to \$3,793,028.

11. 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: Traditional Pension Plan, Member-Directed Plan and Combined Plan.

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.

For the year ended December 31, 2016, 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 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 2016 was 14 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, 2016, 2015 and 2014 were \$1,146,053, \$1,035,065 and \$973,797, respectively.

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 costsharing multiple employer public employee retirement system.t

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

11. Defined Benefit Pension Plan (Continued)

State Teachers Retirement System (Continued)

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: Defined Benefit (DB) Plan, Defined Contribution (DC) Plan and 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 9.5 percent of the 14 percent employer contributions into an investment account. Investment decisions are made by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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.

Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. Through June 30, 2016, the employer rate was 14 percent and the member rate was 13 percent of covered payroll. The statutory employer rate for fiscal year 2017 and subsequent years is 14 percent. The statutory member contribution rate increased to 14 percent July 1, 2016 and will remain at 14 percent in subsequent years. The 2016 contribution rates were equal to the statutory maximum rates.

The County's contribution to the STRS of Ohio for the years ended December 31, 2016, 2015 and 2014 was \$15,990, \$15,257 and \$15,269, respectively.

12. 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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

12. Post Employment Benefits (Continued)

Ohio Public Employees Retirement System (Continued)

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 2016, state and local employers contributed at a rate of 14 percent of covered payroll and public safety and law enforcement employers contributed at 18.1 percent.

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

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. 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, 2016, 2015 and 2014 were \$22,921, \$20,701 and \$19,476, 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.

HARRISON COUNTY

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(Continued)**

12. Post Employment Benefits (Continued)

State Teachers Retirement System (STRS) (Continued)

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 postemployment health care through July 1, 2014. The County's contributions for health care for the fiscal years end December 31, 2016, 2015 and 2014 were \$0, \$0 and \$0. The STRS Board voted to discontinue the current one percent allocation to the health care fund effective July 1, 2014.

13. Contingent Liabilities

Amounts grantor agencies pay to the County are subject to audit and adjustment by the grantor. 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.

14. Subsequent Event

On April 26, 2017, the County Commissioners approved taking over the Georgetown Water Authority retroactive to April 1, 2017.

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HARRISON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal 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	JFSCFP16 JFSCFP17 JFSCF116 JFSCF117 JFSCFB16 JFSCFB17	\$1,323 192 5,698 1,044 127,184 54,088
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>189,529</u>
Rural Development Water and Waste Disposal: Emergency Community Water Assistance - Direct Program	10.763		<u>297,292</u>
Total U.S. Department of Agriculture			486,821
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-F-15-1BE-1 B-C-15-1BE-1	75,000 64,954
Total Community Development Block Grants - State's Program			<u>139,954</u>
Home Investment Partnerships Program	14.239	B-C-15-1BE-2	<u>101,712</u>
Total U.S. Department of Housing and Urban Development			241,666
U.S. DEPARTMENT OF EDUCATION			
<i>Passed through the Ohio Department of Education</i>			
Special Education Cluster (IDEA):			
Special Education - Preschool Grants (IDEA Preschool)	84.173	2016/2017	<u>17,575</u>
Total U.S. Department of Education/Special Education Cluster (IDEA)			17,575
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through the State Emergency Management Agency</i>			
Hazard Mitigation Plan Grant	97.039	FEMA-DR-4077.1P-OH	2,561
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01	<u>30,344</u>
Total U.S. Department of Homeland Security			32,905
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed Through the Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant	93.667	N/A	13,411
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Promoting Safe and Stable Families	93.556	JFSCPF16 JFSCPF17	4,919 1,360
Total Promoting Safe and Stable Families			<u>6,279</u>
TANF Cluster:			
Temporary Assistance for Needy Families	93.558	JFSCCTF16 JFSCCTF17	498,390 80,341
Total Temporary Assistance for Needy Families/TANF Cluster			<u>578,731</u>
Child Support Enforcement	93.563	JFSCCS15 JFSCCS16 JFSCCS17 JFSCCS16	789 327,123 106,673 36,564
Child Support Incentive			<u>36,564</u>
Total Child Support Enforcement			471,149

HARRISON COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program / Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)			
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>			
CCDF Cluster:			
Child Care and Development Block Grant	93.575	JFSCCD16	\$12,243
		JFSCCD17	5,220
Total Child Care and Development Block Grant/CCDF Cluster			<u>17,463</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSCCW16	11,760
Foster Care Title IV-E	93.658	JFSCFC16	42,081
		JFSCFC17	19,167
IV-E Reimbursement			254,887
Total Foster Care Title IV-E			<u>316,135</u>
Adoption Assistance	93.659	JFSCAA16	61,323
		JFSCAA17	25,211
		JFSFAA16	600
Total Adoption Assistance			<u>87,134</u>
Social Services Block Grant	93.667	JFSCSS16	60,940
		JFSCTX16	137,502
Total Social Services Block Grant			<u>198,442</u>
Medicaid Cluster:			
Medical Assistance Program	93.778	MCDFMT16	403,553
		MCDFMT17	120,021
		MCDFMP16	13,832
Total Medical Assistance Program/Medicaid Cluster			<u>537,406</u>
Total U.S. Department of Health and Human Services			2,237,910
U.S. DEPARTMENT OF LABOR			
<i>Passed Through Area 16 Workforce Development Board</i>			
WIA/WIOA Cluster:			
WIA/WIOA Adult Program	17.258	N/A	6,377
WIA/WIOA Youth Activities	17.259	N/A	41,364
WIA/WIOA Dislocated Worker Formula Grants	17.278	N/A	32,278
Total U.S. Department of Labor/WIA/WIOA Cluster			<u>80,019</u>
U.S. DEPARTMENT OF TRANSPORTATION			
<i>Passed through the Ohio Department of Transportation</i>			
Formula Grants for Rural Areas	20.509	OH-18-X036	136,058
Federal Transit Cluster:			
Bus and Bus Facilities Formula Program	20.526	OH-34-0019	108,759
Total Federal Transit Cluster			<u>108,759</u>
<i>Passed through the Ohio Emergency Management Agency</i>			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0502-15-01-00	10,122
Total U.S. Department of Transportation			254,939
U.S. DEPARTMENT OF JUSTICE			
<i>Passed through the Ohio Attorney General</i>			
Crime Victim Assistance	16.575	2017-VOCA-43557304	42,753
Total U.S. Department of Justice			<u>42,753</u>
Total Expenditures of Federal Awards			<u><u>\$3,394,588</u></u>

The accompanying notes are an integral part of this Schedule.

HARRISON COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR PART 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Harrison County (the County) under programs of the federal government for the year ended December 31, 2015. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – 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.

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Dave Yost • Auditor of State

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

Harrison 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, 2016, and the related notes to the financial statements and have issued our report thereon dated February 12, 2018, wherein we issued an adverse opinion as the County followed financial reporting provisions Ohio Revised Code § 117.38 and Ohio Administrative Code § 117-2-03(D) permit, therefore, we were unable to express an opinion on the Schedule of Expenditures of Federal Awards. We also noted the County previously reported their self-insurance program for employee dental, eye, and life insurance benefits as an agency fund. This activity is now being reported in an internal service fund.

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.

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 and a significant deficiency.

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 2016-002, 2016-003, and 2016-008 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 2016-009 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 2016-001 through 2016-007.

County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Corrective Action Plan. 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

February 12, 2018



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 THE UNIFORM GUIDANCE

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 Harrison County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance 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 each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on TANF Cluster and Medicaid Cluster

As described in Findings 2016-010 and 2016-012 in the accompanying Schedule of Findings, the County did not comply with requirements regarding the following:

Finding #	CFDA #	Program (or Cluster) Name	Compliance Requirement
2016-010	93.558	TANF Cluster	Activities Allowed or Unallowed
	93.778	Medicaid Cluster	
2016-012	93.558	TANF Cluster	Procurement
	93.778	Medicaid Cluster	

Compliance with these requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

Qualified Opinion on TANF Cluster and Medicaid Cluster

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on TANF Cluster and Medicaid Cluster* paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its TANF Cluster and Medicaid Cluster for the year ended December 31, 2016.

Unmodified Opinion on the Other Major Federal Program

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying Schedule of Findings as item 2016-011. Our opinion on each major federal program is not modified with respect to these matters.

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

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 the Uniform Guidance, 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and a deficiency we consider to be a significant deficiency.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings as items 2016-010 and 2016-011 to be material weaknesses.

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 2016-013 to be a significant deficiency.

The County's responses to our internal control over compliance findings are described in the accompanying Schedule of Findings and Corrective Action Plan. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on the Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

February 12, 2018

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HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016

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 weaknesses in internal control reported at the financial statement level (GAGAS)?	Yes
<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 weaknesses in internal control reported for major federal programs?	Yes
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion <ul style="list-style-type: none"> • Unmodified - Child Support Enforcement • Qualified – TANF Cluster and Medicaid Cluster 	
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR Part 200.516(a)?	Yes
<i>(d)(1)(vii)</i>	Major Programs (list): <ul style="list-style-type: none"> • TANF Cluster – CFDA #93.558 • Child Support Enforcement – CFDA #93.563 • Medicaid Cluster – CFDA #93.778 	
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee under 2 CFR Part 200.520?	No

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

FINDING NUMBER 2016-001

Finding for Recovery – Repaid Under Audit

As the County Court's Probation Officer, Janel McGowan-Banks, was responsible for collecting revenue from probationers and recording the receipt in the court system. Ms. McGowan-Banks also assisted the County Court Clerk's Office by preparing daily deposits, taking deposits to the bank, and completing monthly reconciliations. Documents maintained by the County Court Clerk's Office indicate that monies received by the court and prepared for deposit were turned over to Ms. McGowan-Banks for deposit. However, for the period examined, there was a shortage of \$24,020 between the amounts collected and deposited.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-001
(Continued)

Finding for Recovery – Repaid Under Audit (Continued)

In accordance with the foregoing facts and pursuant to Ohio Revised Code § 117.28, a finding for recovery for public monies collected but unaccounted for is hereby issued in the amount of \$24,020 against Janel McGowan-Banks in favor of the Harrison County Court. On September 5, 2017, restitution was paid by Janel McGowan-Banks to the Harrison County Clerk of Courts in the amount of \$24,020.

Officials’ Response: See Corrective Action Plan on page 43.

FINDING NUMBER 2016-002

Finding for Adjustment and Material Weakness

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 warrants 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 County had one outstanding loan at December 31, 2016, which was included in the investment balance on the County's bank reconciliation at December 31, 2016.

Below is the outstanding loan balance as of December 31, 2016:

- County Engineer - \$229,917 for employee retirement buyout

Had this loan 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 \$229,917 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 \$229,917.

The County should 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: See Corrective Action Plan on page 43.

HARRISON COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-003

Noncompliance and Material Weakness

Ohio Rev. Code § 9.833(C)(1), which applies to individual or joint self-insurance programs, states in part that a financial statement and a report of aggregate amounts so reserved and aggregate disbursements made from such funds, together with a written report of a member of the American academy of actuaries certifying whether the amounts reserved conform to the requirements of this division, are computed in accordance with accepted loss reserving standards, and are fairly stated in accordance with sound loss reserving principles, shall be prepared and maintained, within ninety days after the last day of the fiscal year of the entity for which the report is provided for that fiscal year, in the office of the program administrator described in division (C)(3) of this section. In addition, Ohio Rev. Code § 9.833(C)(4) states that the individual or joint self-insurance program shall include a contract with a certified public accountant and a member of the American academy of actuaries for the preparation of the written evaluations required under division (C)(1) of this section. Finally, Ohio Rev. Code § 9.833(D) states that a political subdivision or county board may procure group life insurance for its employees in conjunction with an individual or joint self-insurance program authorized by this section, provided that the policy of group life insurance is not self-insured.

The County failed to prepare and maintain a financial statement and report in accordance with required standards for the County U49 (Dental Program Fund), U50 (Life Insurance Fund), and the U51 (Eye Insurance Fund) self-insurance funds as those funds were reported as Agency Funds rather than Internal Service. In addition, the County did not contract with a certified public accountant or actuary for the preparation of required written evaluations regarding its self-insurance programs. Finally, the County improperly provided group life insurance for employees through a self-funded program, rather than procuring a group life insurance policy in conjunction with an individual or joint self-insurance program.

While it is allowable for the County to maintain self-funded dental and eye insurance funds, it should ensure the following requirements are met:

- The County should contract with a certified public accountant and actuary in order to ensure the self-insurance programs are properly funded.
- The County should classify the funds as Internal Service on the annual financial statements.
- The County should ensure that the appropriate financial statements and reports are prepared and maintained for each fiscal year that the funds are in use.

In addition, the County should discontinue its practice of providing group life insurance for employees by means of a self-funded program. The County should procure a group life insurance policy through an individual or joint-insurance program that is authorized by this section of the Ohio Rev. Code.

Officials' Response: See Corrective Action Plan on page 43.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-004

Noncompliance

Ohio Rev. Code § 5705.14 states that no transfer shall be made from one fund of a subdivision to any other fund, unless it meets an allowable exception.

During 2016, the County transferred monies in the amount of \$280,000 from the Recorder's Special Equipment Fund to the General Fund, which did not meet any of the allowable exceptions.

The adjustment, with which management agrees, was posted to the County's accounting records and is reflected in the accompanying financial statements.

The County should refer to the Ohio Revised Code to ensure that transfers are made between proper funds.

Officials' Response: See Corrective Action Plan on page 43.

FINDING NUMBER 2016-005

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). The County filed financial statements with the Auditor of State, but those statements followed a cash accounting basis rather than generally accepted accounting principles. The accompanying financial statements and notes omit material assets, liabilities, fund equities, and disclosures. The County is subject to fines and various other administrative remedies.

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

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: See Corrective Action Plan on page 43.

FINDING NUMBER 2016-006

Noncompliance

Ohio Rev. Code § 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the total estimated resources available for expenditure from that fund as certified by the budget commission on the Amended Official Certificates of Estimated Resources. This section also requires the County to obtain a County Auditor's Certificate that total appropriations from each fund do not exceed the total official estimate or amended official estimate when amending estimated resources.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-006
(Continued)

Noncompliance – Ohio Rev. Code § 5705.39 (Continued)

In 2016, the County approved appropriations for the Bureau of Support Fund (C02) in the amount of \$694,230, which exceeded the estimated resources of \$644,230 by \$50,000. Appropriations were also approved for the Job and Family Services WIA Fund (H50) in the amount of \$268,000, which exceeded estimated resources of \$78,884 by \$189,116. In addition, the County approved appropriations for the Rural Transit Fund (B55) in the amount of \$682,324, which exceeded estimated resources of \$613,167 by \$69,157.

Failure to limit appropriations to the amount certified by the Budget Commission could result in overspending and negative fund balances.

The County should ensure that the total appropriations for each fund are within the estimated resources for each fund to avoid possible deficit spending.

Officials' Response: See Corrective Action Plan on page 43.

FINDING NUMBER 2016-007

Noncompliance

Ohio Rev. Code § 5705.41(B) states, in part, that no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated as provided in such chapter.

During 2016, expenditures exceeded appropriations in the General Fund by \$390,869 and the Unclaimed Money Fund by \$1,229.

The County should regularly monitor appropriations and expenditures and, if necessary, file amendments with the County Auditor to ensure that expenditures from each fund do not exceed the total appropriations. This will help to reduce the risk of disbursements exceeding appropriations and will add a measure of control over the County's budgetary process.

Officials' Response: See Corrective Action Plan on page 43.

FINDING NUMBER 2016-008

Material Weakness

The County should maintain an accounting system and accounting records sufficient to enable the County 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, disbursements, and fund balance into accurate classifications on the financial statements.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-008
(Continued)

Material Weakness (Continued)

The following errors were noted:

- An expenditure in the Ambulance Replacement Fund (S01) in the amount of \$367,162 was improperly posted as Public Safety, rather than Capital Outlay.
- Expenditures in the Harrison County Rural Transit Fund (B55) in the amount of \$150,087 were improperly posted as Personal Services, rather than Contract Services in the amount of \$44,544 and Supplies and Materials in the amount of \$105,543.
- Expenditures in the County Water Fund (U41) in the amount of \$477,909 were improperly posted as Personal Services, rather than Contract Services in the amount of \$351,304 and Supplies and Materials in the amount of \$126,605.
- Sales tax revenues in the Vehicle Fleet (N02), Government Center (N03), Infrastructure (N04), Justice Center (N06) and Recreational (N07) Funds in the amounts of \$19,302, \$96,511, \$115,813, \$38,604 and \$38,604, respectively, were improperly posted as Intergovernmental Revenue, rather than Property and Other Local Taxes Revenue.
- Rural Transit grant monies in the amount of \$108,759 were improperly posted to Other Non-Operating Revenue, rather than Grants Revenue in the Local Match/ Capital Maintenance Fund (T45).
- Advance repayments to the General Fund from the District Health Fund (E00) totaling \$30,000 were improperly classified as Advances In, rather than Other Financing Sources.
- A portion of the year-end General Fund balance in the amount of \$587,312 was improperly classified as unassigned, rather than assigned.

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

In addition to the reclassifications listed above, we also identified an additional misstatements ranging from \$4,905 to \$426,715 that we have brought to the County's attention.

By not properly reporting financial activity could result in material misstatements occurring and remaining undetected and the risk that management would not be provided an accurate picture of the County's financial position and operations.

The County should take the necessary steps to ensure that all receipts, expenditures, and fund balance are properly presented and disclosed in the County's financial statements.

Officials' Response: See Corrective Action Plan on page 43.

HARRISON COUNTY

SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

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

FINDING NUMBER 2016-009

Significant Deficiency

The County Auditor's Office (the Office) collects fees for the cost of documents that were copied or printed in the Office. Cash collected for these fees was placed in a cookie tin in the safe in the Office. Duplicate receipts for these collections were only prepared if a customer requested a receipt. Pay-ins were prepared for these collections at random intervals and minimal attempt was made to reconcile the amount in the cookie tin to the duplicate receipts since duplicate receipts were only prepared upon customer request.

Failure to implement proper procedures could result in further funds being unaccounted for as this has led to funds being unaccounted for in prior audits.

The Office should prepare written procedures for copy fee collection and deposit. These procedures should require the preparation of a duplicate receipt for all fees collected for copies. In addition, pay-ins for these collected fees should be made at regular intervals and should be reconciled to the duplicate receipts.

Officials' Response: See Corrective Action Plan on page 43.

3. FINDINGS FOR FEDERAL AWARDS

1. Ohio Admin. Code § 5101:9-7-20(F)(3)

Finding Number	2016-010		
CFDA Title and Number	CFDA #93.558 – TANF Cluster CFDA #93.778 – Medicaid Cluster		
Federal Award Identification Number / Year	JFSCTF16/JFSCTF17 MCDFMT16/MCDFMT17		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance and Material Weakness

Ohio Admin. Code § 5101:9-7-20(F)(3) requires that in accordance with federally accepted time lines, the RMS coordinator shall review and approve by accepting all observation moment responses within forty-eight hours. In addition, Ohio Admin. Code § 5101:9-7-20(H) requires that in order to assure sampling accuracy and quality control, no less than four per cent of all RMS samples are selected as a control group. Control group observation moments require that the supervisor/supervisor designee must validate the response within the same twenty-four-hour response period that is available to the employee.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance and Material Weakness - Ohio Admin. Code § 5101:9-7-20(F)(3) (Continued)

During 2016, the RMS Coordinator of the County's Department of Job and Family Services did not respond to a Random Moment Sampling (RMS) observation moment within the required time frame for 8% tested.

The County's Department of Job and Family Service RMS Coordinator should develop procedures to ensure that she or her designee respond to all RMS moments for the County within forty-eight hours, or twenty-four hours if a control group, after the observation moment.

Officials' Response: See Corrective Action Plan on page 43.

2. 2 CFR Part 200.510(b), Subpart F

Finding Number	2016-011		
CFDA Title and Number	CFDA #10.763 – Emergency Community Water Assistance Grants (Direct Program) CFDA #93.658 – Foster Care Title IV-E		
Federal Award Identification Number / Year	2016		
Federal Agency	U.S. Department of Agriculture U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance and Material Weakness

2 CFR Part 200.510(b), Subpart F, requires recipients to prepare a Schedule of Expenditures of Federal Awards (the Schedule) for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with Part 200.502 - Basis for determining Federal awards expended.

The Schedule prepared by the County had the following significant errors:

- For CFDA #10.763 Emergency Community Water Assistance Grants, expenditures were understated by \$297,292. This program was not originally reported on the Schedule.
- For CFDA #93.658 Foster Care Title IV-E, expenditures were understated by \$254,887.

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

The County did not have a process in place to ensure the Schedule prepared is complete and accurate. Errors and omissions to the Schedule 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 has been adjusted accordingly and was agreed to by the County.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Noncompliance and Material Weakness - 2 CFR Part 200.510(b), Subpart F (Continued)

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.

Officials' Response: See Corrective Action Plan on page 43.

3. 45 CFR Part 75.329

Finding Number	2016-012		
CFDA Title and Number	CFDA #93.558 – TANF Cluster CFDA #93.778 – Medicaid Cluster		
Federal Award Identification Number / Year	JFSCTF16/JFSCTF17 MCDFMT16/MCDFMT17		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Noncompliance

45 CFR Part 75.329 states that small purchase procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources.

Per the Harrison County Department of Job and Family Services (the DJFS) Procurement Plan, the simplified acquisition threshold for small purchases is \$15,000. If small purchase procurement is used, the policy requires that price or rate quotations must be obtained from at least three qualified sources.

During 2016, the DJFS did not obtain at least 3 price or rate quotations for 12% of tested expenditures that were under the \$15,000 small purchase threshold.

The DJFS should ensure it properly obtains at least 3 price or rate quotations for applicable purchases under \$15,000 when utilizing the small purchase method. The DJFS should also consider implementing the micro-purchase method, in which the aggregate dollar amount of a purchase does not exceed \$3,500 as permitted by 48 CFR Part 2.101. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. When purchases exceed the micro-purchase amount, but do not exceed the simplified acquisition threshold (\$15,000), small purchase procedures would then be used.

Officials' Response: See Corrective Action Plan on page 43.

HARRISON COUNTY
SCHEDULE OF FINDINGS
2 CFR PART 200.515
DECEMBER 31, 2016
(Continued)

3. FINDINGS FOR FEDERAL AWARDS (Continued)

4. Signing/Initialing Invoices

Finding Number	2016-013		
CFDA Title and Number	CFDA #93.558 – TANF Cluster CFDA #93.778 – Medicaid Cluster		
Federal Award Identification Number / Year	JFSCTF16/JFSCTF17 MCDFMT16/MCDFMT17		
Federal Agency	U.S. Department of Health and Human Services		
Pass-Through Entity	Ohio Department of Job and Family Services		
Repeat Finding from Prior Audit?	No	Finding Number (if repeat)	N/A

Significant Deficiency

The Harrison County Department of Job and Family Services (DJFS) Director and Fiscal Specialist sign or initial invoices/vouchers to indicate the expenditures are allowable activities/costs of the DJFS Temporary Assistance for Needy Families) TANF federal grant and Medicaid program.

During 2016, the DJFS Director did not sign or initial invoices/vouchers to indicate approval of direct and indirect disbursements for 8 percent of the tested indirect cost disbursements for the TANF grant and Medicaid program and 6 percent of the tested direct cost disbursements for the TANF grant.

The DJFS should take the necessary steps to ensure that invoices/vouchers are reviewed and approved for direct and indirect expenditures to ensure they are allowable activities/allowable costs of the DJFS TANF federal grant and Medicaid program.

Officials' Response: See Corrective Action Plan on page 43.



HARRISON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Finding for Recovery for copy fees collected but unaccounted for in the Auditor's office.	Partially Corrected	The remaining portion of the finding for recovery is \$9,720, which is currently being repaid in bi-weekly installments.
2015-002	Significant Deficiency for copy fee collection procedures in the County Auditor's Office.	Not Corrected	Since the auditors brought to our attention that we are still deficient in our procedures, we will work to correct this situation.
2015-003	Ohio Revised Code §321.23 for adjustment and material weakness involving loan being issued by Treasurer	Not Corrected	The County has discontinued making loans. When the engineer's office pays off this loan, this citation will no longer be valid.
2015-004	Ohio Admin Code §117-2-03(B) for not preparing financial statements in accordance with generally accepted accounting principles	Not Corrected	The Auditor's office does not have the staff or the appropriation to comply with this citation.
2015-005	Ohio Rev. Code §5705.10(D) for significant deficiency for not always recording receipts and disbursements into accurate funds and/or classifications.	Corrected	Rural Transit paid this amount into the wrong line item, upon discovery it was corrected.
2015-006	Ohio Rev. Code §5705.39 for noncompliance/over appropriated spending compared to estimated resources	Not Corrected	The County will try to monitor all funds to make sure we are in compliance.
2015-007	Ohio Rev. Code §5705.41(B) for noncompliance/over spending in general fund	Not Corrected	The County will monitor appropriations and expenditures on a more frequent basis to correct this problem.
2015-008	Material Weakness for significant errors in recording receipts, disbursements and fund balance into accurate funds/line items on financial statements.	Partially Corrected	The County will try to monitor all funds to make sure we are in compliance. Offices were told numerous times about the accuracy of reporting receipts/monies to funds/line items.

HARRISON COUNTY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2016
(Continued)

Finding Number	Finding Summary	Status	Additional Information
2015-009	Material Weakness involving lack of signatures/initials on invoices/vouchers to allow the expenditure/cost.	Partially Corrected	The agency has implemented a new fiscal system (CFIS) in 2016 to process vouchers. With this new system the vouchers that are being used now contain a signature line for approval. The agency has met with key staff in this process and reviewed its current policy on processing vouchers for expenditures. No vouchers are to be forwarded on to the County Auditor's office without the approval of the Director.



HARRISON COUNTY
CORRECTIVE ACTION PLAN
2 CFR 200.511(b)
DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	The Court has changed their daily deposit procedures as well as the procedures for certain types of disbursements to require the involvement of multiple employees.	December 31, 2017	Pam Brown, Chief Clerk-County Court
2016-002	The County has discontinued making loans. When the engineer's office pays off this loan, this citation will no longer be valid.	December 31, 2017	Patrick Moore, County Auditor
2016-003	The County has historically shown these funds as Agency Funds. Now that this has been brought to our attention, we will present these as Internal Service Funds.	December 31, 2017	Patrick Moore, County Auditor
2016-004	This was an isolated instance, and the County will no longer be making transfers between the funds involved.	December 31, 2017	Patrick Moore, County Auditor
2016-005	The Auditor's office does not have the staff or the appropriation to comply with this citation.	December 31, 2017	Patrick Moore, County Auditor
2016-006	The County will try to monitor all funds to make sure we are in compliance.	December 31, 2017	Patrick Moore, County Auditor
2016-007	The County will monitor appropriations and expenditures on a more frequent basis to correct this problem.	December 31, 2017	Patrick Moore, County Auditor
2016-008	The Auditor's office reports what the various departments pay in. With a small auditor's staff we cannot always catch that the wrong line item was paid into. Departments have been told numerous times about the accuracy of line items when paying bills out of their fund.	December 31, 2017	Patrick Moore, County Auditor
2016-009	Since the auditors brought to our attention that we are still deficient in our procedures, we will work to correct this situation.	December 31, 2017	Patrick Moore, County Auditor
2016-010	The RMS Supervisor will ensure RMS hits are addressed timely.	December 31, 2017	Marcia Thompson, Fiscal Specialist-Dept. of Job and Family Services

HARRISON COUNTY
CORRECTIVE ACTION PLAN
2 CFR 200.511(b)
DECEMBER 31, 2016
(Continued)

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-011	An example was provided to the departments in the past to assist them in properly capturing the department's federal programs. We will continue to work with departments to improve the accuracy of information they provide.	December 31, 2017	Patrick Moore, County Auditor
2016-012	The County Dept. of Job of Job and Family services has revised their procurement policy to help correct this issue.	December 31, 2017	Marcia Thompson, Fiscal Specialist- Dept. of Job and Family Services
2016-013	The agency has implemented a new fiscal system (CFIS) in 2016 to process vouchers. With this new system the vouchers that are being used now contain a signature line for approval. The agency has met with key staff in this process and reviewed its current policy on processing vouchers for expenditures. No vouchers are to be forwarded on to the County Auditor's office without the approval of the Director.	December 31, 2017	Scott Blackburn, Director-Dept. of Job and Family Services



Dave Yost • Auditor of State

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 22, 2018