

HARRISON COUNTY
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

Wolfe, Wilson, & Phillips, Inc.
37 South Seventh Street
Zanesville, Ohio 43701



Mary Taylor, CPA
Auditor of State

Board of County Commissioners
Harrison County
100 West Market Street
Cadiz, Ohio 43907

We have reviewed the *Independent Auditors' Report* of Harrison County prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2009 through December 31, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Harrison County is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 9, 2010

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**FINANCIAL CONDITION
HARRISON COUNTY**

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**WOLFE, WILSON & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

INDEPENDENT AUDITORS' REPORT

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of County Commissioners:

We have audited the accompanying financial statements of Harrison County, Ohio (the County) as of and for the year ended December 31, 2009. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

Ohio Administrative Code Section 117-2-03 (B) requires the county to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Harrison County as of and for the year ended December 31, 2009, in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 22, 2010, 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. While we do not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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Harrison County
Independent Auditors' Report
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We conducted our audit to opine on the County's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the County's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2009, or its changes in financial position or its cash flows for the year ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Wolfe, Wilson & Phillips, Inc.
Zanesville, Ohio
September 22, 2010

**FINANCIAL CONDITION
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Governmental Fund Types				Fiduciary	Totals
	General	Special Revenue	Debt Service	Capital Projects	Private-Purpose Trust	(Memorandum Only)
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 1,919,828	\$ 3,635,473	\$ -	\$ 87,120	\$ -	\$ 5,642,421
Licenses and Permits	910	-	-	-	-	910
Intergovernmental Receipts	339,971	4,525,246	-	557,298	-	5,422,515
Charges for Services	262,034	1,889,457	-	-	-	2,151,491
Fines and Forfeitures	176,513	3,457,713	-	-	-	3,634,226
Special Assessments	-	42,888	-	-	-	42,888
Other Revenue	16,378	97,016	208,674	62,793	23,792	408,653
Total Cash Receipts	<u>2,715,634</u>	<u>13,647,793</u>	<u>208,674</u>	<u>707,211</u>	<u>23,792</u>	<u>17,303,104</u>
Cash Disbursements:						
General Government						
Legislative and Executive	1,397,475	694,606	-	-	-	2,092,081
Judicial	605,030	378,407	-	-	-	983,437
Public Safety	590,849	534,838	-	-	47	1,125,734
Public Works	4,984	4,315,251	-	-	-	4,320,235
Health	16,642	212,868	-	-	-	229,510
Human Services	102,280	6,937,871	-	-	-	7,040,151
Miscellaneous	26,964	45,746	-	-	4,356	77,066
Debt Service:						
Bond Payments	-	31,718	129,251	-	-	160,969
Note Payments	-	115,547	-	-	-	115,547
Interest and Fiscal	-	35,682	30,085	-	-	65,767
Capital Projects	-	-	-	734,516	-	734,516
Total Cash Disbursements	<u>2,744,224</u>	<u>13,302,534</u>	<u>159,336</u>	<u>734,516</u>	<u>4,403</u>	<u>16,945,013</u>
Total Receipts Over/(Under) Disbursements	(28,590)	345,259	49,338	(27,305)	19,389	358,091
Other Financing Receipts and (Disbursements)						
Transfers-In	-	126,185	-	-	-	126,185
Other Financing Sources	85,793	-	-	-	-	85,793
Transfers-Out	(126,185)	-	-	-	-	(126,185)
Other Financing Uses	(32,025)	(117,963)	-	-	-	(149,988)
Total Other Financing Receipts and (Disbursements)	<u>(72,417)</u>	<u>8,222</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(64,195)</u>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(101,007)	353,481	49,338	(27,305)	19,389	293,896
Fund Cash Balances, January 1	(310)	1,223,519	(57,708)	233,266	378,615	1,777,382
Fund Cash Balances, December 31	<u>\$ (101,317)</u>	<u>\$ 1,577,000</u>	<u>\$ (8,370)</u>	<u>\$ 205,961</u>	<u>\$ 398,004</u>	<u>\$ 2,071,278</u>

See notes to financial statements.

**FINANCIAL CONDITION
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES-ALL PROPRIETARY AND
SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Intergovernmental Receipts	\$ -	\$ -	\$ -
Charges for Services	647,474	-	647,474
Total Operating Cash Receipts	<u>647,474</u>	<u>-</u>	<u>647,474</u>
Operating Cash Disbursements:			
Legislative and Executive	-	-	-
Personal Services	634,506	-	634,506
Total Operating Cash Disbursements	<u>634,506</u>	<u>-</u>	<u>634,506</u>
Operating Income/(Loss)	12,968	-	12,968
Non-Operating Cash Receipts			
Debt Proceeds	-	-	-
Other Non-Operating Cash Receipts	-	24,327,013	24,327,013
Total Non-Operating Cash Receipts	<u>-</u>	<u>24,327,013</u>	<u>24,327,013</u>
Non-Operating Cash Disbursements			
Debt-Principal	33,892	-	33,892
Debt-Interest	9,364	-	9,364
Other Non-Operating Cash Disbursements	-	24,353,123	24,353,123
Total Non-Operating Cash Disbursements	<u>43,256</u>	<u>24,353,123</u>	<u>24,396,379</u>
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advance	(30,288)	(26,110)	(56,398)
Transfers-In	-	-	-
Transfers-Out	-	-	-
Net Receipts Over/(Under) Disbursements	(30,288)	(26,110)	(56,398)
Fund Cash Balances, January 1	<u>106,876</u>	<u>1,244,302</u>	<u>1,351,178</u>
Fund Cash Balances, December 31	<u>\$ 76,588</u>	<u>\$ 1,218,192</u>	<u>\$ 1,294,780</u>

See notes to financial statements.

**FINANCIAL CONDITION
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2009**

Fund Types/Funds	<u>Budget</u>	<u>Actual</u>	<u>Totals</u>
Governmental Fund Types:			
General Fund	\$ 2,853,780	\$ 2,801,427	\$ (52,353)
Special Revenue Funds	13,483,530	13,773,978	290,448
Debt Service Funds	205,000	208,674	3,674
Capital Projects Funds	481,200	707,211	226,011
Private-Purpose Trust Funds	285,800	23,792	(262,008)
Proprietary Fund Types:			
Enterprise Funds	<u>645,000</u>	<u>647,474</u>	<u>2,474</u>
Totals	<u><u>\$ 17,954,310</u></u>	<u><u>\$ 18,162,556</u></u>	<u><u>\$ 208,246</u></u>

See notes to financial statements.

**FINANCIAL CONDITION
HARRISON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
BUDGET AND ACTUAL COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2009**

Fund Types/Funds	Prior Year Carryover Appropriations	2009 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding 12/31/2009	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$ -	\$ 2,952,190	\$ 2,952,190	\$ 2,902,434	\$ -	\$ 2,902,434	\$ 49,756
Special Revenue Funds	-	15,661,365	15,661,365	13,420,497	-	13,420,497	2,240,868
Debt Service Funds	-	-	-	159,336	-	159,336	(159,336)
Capital Projects Funds	-	870,000	870,000	734,516	-	734,516	135,484
Private-Purpose Trust Funds	-	116,250	116,250	4,403	-	4,403	111,847
Proprietary Fund Types:							
Enterprise Funds	-	710,224	710,224	677,762	-	677,762	32,462
Totals	\$ -	\$ 20,310,029	\$ 20,310,029	\$ 17,898,948	\$ -	\$ 17,898,948	\$ 2,411,081

See notes to financial statements.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Entity

Harrison County (the County) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates 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 fiscal control of the resources of the County which are maintained in the funds described 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 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 schools, Counties, 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 operating control.

The County serves as the fiscal agent but is not financially accountable for the District Board of Health and the Soil Conservation Service 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.

Basis of Accounting

Although required by Ohio Administrative Code Section 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 that are 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash 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 or disbursements, respectively. Certificates of deposits are valued at cost.

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:

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 revenue sources (other than trusts or major capital projects) that are legally restricted to expenditure for specified purposes.

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 fund 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. For purposes of this report, these funds have been classified into the proper groups, if practical.

Capital Projects 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).

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Accounting (Continued)

Proprietary Funds

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

Enterprise Fund

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.

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.

Budgetary Process

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.

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, 2008 unencumbered fund balances. However, these fund balances are available for appropriations.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Process (Continued)

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 measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation 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 are 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.

Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations.

Property, Plant and Equipment

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

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. POOLED CASH AND INVESTMENTS

The County maintains a cash and investment pool used by all funds.

Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, including negotiable order of withdrawal (NOW) accounts.

Inactive deposits are public deposits that the County has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

2. POOLED CASH AND INVESTMENTS (Continued)

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuance of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio).

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

2. POOLED CASH AND INVESTMENTS (Continued)

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by collateral pledged to the County by the financial institution, or by a collateral pool established by the financial institution, to secure the repayment of all public monies deposited with the institution. National City Bank is the financial institution for Monroe County.

The County did not have any undeposited cash on hand for 2009.

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, 2009, \$3,565,129 of the County's bank balance of \$3,765,129 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 Government Accounting Standards Board (GASB).

3. LEGAL COMPLIANCE

Ohio Administrative Code Section 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

3. LEGAL COMPLIANCE (Continued)

Contrary to Ohio Revised Code Section 5705.41(B), expenditures exceeded appropriations in the following funds:

Fund	Appropriation	Expenditures	Variance
License Bureau	\$-	\$1,484	\$(1,484)
Harrison Co. Gov. center	66,418	130,942	(64,524)
Indigent Funds Court	-	523	(523)
ESCE Idea Fund	20,694	24,644	(3,950)
Special Ed Part B Fund	26,140	27,494	(1,354)
Battered Spouses	-	2,530	(2,530)
Sheriff's Levy	352,000	359,378	(7,378)
EMA	61,372	64,692	(3,320)
Debt Service	-	159,336	(159,336)
Issue II	-	535,838	(535,838)
U06 Unclaimed Money	-	106	(106)

Contrary to Ohio Revised Code Section 5705.41(D), the County did not certify or record the amount against the applicable appropriation accounts for several expenditures and the County did not utilize the exceptions provided by the Ohio Revised Code.

The County held grant money received for the Community Housing Improvement Program for more than fifteen days, which violated Ohio Department of Development Office of Housing and Community partnership (OHCP) Financial Management Rules and Regulations Section (A)(3)(f).

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

3. LEGAL COMPLIANCE (Continued)

Contrary to Ohio Revised Code Section 5705.39, the County had the following funds in which the appropriations exceeded the estimated resources.

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$2,853,470	\$2,952,190	\$(98,720)
Common Cts. - Magistrate	10,873	167,629	(156,756)
Certificate of Title	148,539	156,600	(8,061)
Clerk of Courts – Legal Computer	(35,807)	1,120	(36,927)
Recorders Special Assessment	19,459	20,000	(541)
Election Revenue	11,000	15,000	(4,000)
Dog and Kennel	59,705	60,542	(837)
ADM Computer Clk/Crts	6,412	9,500	(3,088)
Court Reporter Clk.Crts	22,088	30,000	(7,912)
Title XX Ret Child	14,083	14,228	(145)
Bicentennial Bell	33,026	40,536	(7,510)
Bureau of Support	558,189	603,472	(45,283)
Road and Bridge	475,634	654,201	(178,567)
Light Program	22,410	29,058	(6,648)
Harrison Economic Development	(217,903)	75,280	(293,183)
Public Assistance	3,087,229	3,202,229	(115,000)
WIA	159,080	357,674	(198,594)
Gas Tax	3,606,911	3,811,911	(205,000)
Regional Planning Commission	1,784	2,084	(300)
CHIP Grant	167,706	459,950	(292,244)
Children Services	740,802	860,802	(120,000)
Blocking Grant T54	78,486	79,000	(514)
Sheriff's Levy	348,756	352,000	(3,244)
LETPPG	12,632	366,862	(354,230)
X10 ARRA	-	29,709	(29,709)
X11 VAWA	-	9,109	(9,109)
Ambulance Service	222,204	273,304	(51,100)
EMA	(12,929)	61,372	(74,301)
LEPC	17,894	21,188	(3,294)
Capital Improvements	89,733	200,000	(110,267)
Capital Rev Account	181,734	467,000	(285,266)
Capital Improvement PDA	50,000	203,000	(153,000)
County Water District	129,670	150,000	(20,330)

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

3. LEGAL COMPLIANCE (Continued)

Several funds had deficit balances at December 31, 2009, which is contrary to Ohio Revised Code Section 5705.10. The funds are listed below.

Fund	Balance
General Fund	\$(101,317)
Harrison Co. Gov. Center	(69,765)
Magistrate	(64,127)
Clerk of Courts - Computer	(36,927)
Dog and Kennel	(845)
Harrison Co. Economic Development	(276,903)
CHIP Grant	(23,294)
EMS	(98,789)
Debt Service	(57,708)

4. 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 2008.

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, 2008, was \$12.17 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective rate was \$8.83 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$10.75 per \$1000 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

4. PROPERTY TAX (Continued)

Owners of tangible property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property for the fiscal year ended December 31, 2009 was \$12.17 per \$1000 of assessed valuation.

Real Property	
Residential/Agricultural	\$ 198,893,540
Commercial/Industrial	29,738,970
Public Utilities	536,830
Tangible Personal Property	
Public Utilities	23,095,360
Total Valuation	\$ 252,264,700

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.

5. DEBT OBLIGATIONS

Debt Outstanding at December 31, 2008, consisted of the following:

	Amount	Interest
General Obligation Notes	\$ 1,172,609	0.00%-5.30%
General Obligation Bonds	1,040,245	5.25%-5.75%
OWDA Loans	565,804	0.00%-3.95%
Total Debt	\$ 2,778,658	

Outstanding notes were of the general obligation type. Proceeds from the notes were used by County Engineer for bridge replacements, county roads resurfacing, water lines and culvert replacements. General 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 proceeds of the outstanding general obligation bonds were used for the renovation and improvement of the new government center building, the county courthouse, 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

5. DEBT OBLIGATIONS (Continued)

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 Tiptecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The full faith, credit, and revenue of the County have been pledged as collateral for the debt. The amounts payable as of December 31, 2009 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, 2009, including interest are as followed:

Year Ended December 31	G.O. Notes	G.O. Bonds	OWDA
2010	\$104,557	\$229,697	\$22,383
2011	104,557	192,316	22,383
2012	104,557	192,316	22,383
2013	104,557	150,678	22,383
2014	104,557	67,400	22,383
2015-2019	383,084	337,000	111,919
2020-2024	266,740	152,006	100,991
2025-2029	-	-	24,280
2030-2034	-	-	-
Totals	\$ 1,172,609	\$ 1,321,413	\$ 349,105

6. RISK MANAGEMENT

General Insurance

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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

6. RISK MANAGEMENT (continued)

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of the member counties are eligible to serve on the board at any one time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees. CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligation to make coverage payments to CORSA. The participating counties have no responsibility for the payment of certificates. The County does not have an equity interest in CORSA.

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

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

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 for family coverage only with the Board of Commissioners. Dental and vision insurance are provide by the County to employees.

7. 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. A Board of County Commissioners resolution provides that 84% of the proceeds of this tax are general fund revenue to be appropriated for general operating expenses and 16% of the proceeds of this tax are capital projects fund revenue to be appropriated for capital improvements. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2009 amounted to \$1,231,815

8. DEFINED BENEFIT PENSION PLAN

Ohio Public Employees Retirement System

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2009, the members of all three plans, except for those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 10.1 percent. The County's contribution rate for pension benefits for 2009 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contribution were 17.40 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, 2009, 2008, 2007 were \$912,828, \$948,006, and \$990,595, respectively; 100 percent has been contributed for 2009, 2008, 2007.

State Teachers Retirement System

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

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

8. DEFINED BENEFIT PENSION PLANS (Continued)

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

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

The Ohio Revised Code provides statutory authority for County and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the County are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. For fiscal year 2009, 13% was allocated to fund the pension benefit and 1% to fund health care. The County's contribution to the STRS of Ohio for the years ended December 31, 2009, 2008 and 2007 was \$28,304, \$28,902 and \$27,750, respectively. 100% of has been contributed for 2009, 2008 and 2007. No contributions were made to the DC and Combined Plan for fiscal year 2009 by the county and plan members.

9. POST EMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and qualified survivor benefit recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement NO. 12. A portion of each employer's contribution to the traditional or combined plan is set aside for the funding of postretirement health care based on authority granted by State Statute. The 2009 local government employer contribution rate was 14.00 percent of covered payroll (17.63 percent for public safety and law enforcement). The portion of employer contributions, for all employers, allocated to health care was 7.0% from January 1, 2009 through March 31, 2009 and 5.5% from April 1, 2009 through December 31, 2009.

Benefits are advanced-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2007, include a rate of return on investments of 6.5 percent, an annual increase in active employee total payroll of 4 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between 0.5 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .5 to 3 percent annually for the next seven years and 4 percent annually after eight years.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

9. POST EMPLOYMENT BENEFITS (Continued)

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

The number of active contributing participants in the traditional and combined plans was 357,584. Actual County contributions for 2009, which were used to fund post employment benefits were \$57,052. The actual contribution and the actuarially required contribution amounts are the same. The actuarial value of OPERS's net assets available for payment of benefits at December 31, 2008, (the latest information available) was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$29.6 billion and \$18.9 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. Member and employer contribution rates for state and local employers increased as of January 1, of each year from 2006 to 2008. These rates allowed additional funds to be allocated to the health care plan.

State Teachers Retirement System (STRS)

STRS provides postemployment health care benefits to retirees who participated in the DB or Combined Plans and their dependents. Coverage includes hospitalization, physician fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the Revised Code, the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care cost will be absorbed by STRS. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, health care benefits are not guaranteed.

Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund. For the fiscal year 2009, the board allocated employer contributions equal to 1% of covered payroll to the Health care Stabilization Fund, which amount to \$283, \$289, and \$277 for 2009, 2008 and 2007 for the County. 100% was paid by the County as of December 31, 2008.

HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
(Pass through Ohio Department of Education)			
Special Education Cluster:			
Special Education Grants to States	6B-SF-09	84.027	27,495
Special Education Pre-School Grant	PG-S1-08	84.173	15,526
Special Education Pre-School Grant	PG-S1-09	84.173	9,118
Total U.S. Department of Education			52,139
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Pass through Ohio Department of Development)			
Community Development Block Grant	BF-08-031-1	14.228	76,000
	BF-08-031-1		-
	BC-08-031-1		147,666
			223,666
HOME Partnership Grant	BC-08-031-2	14.239	81,770
			81,770
Total U.S. Department of Housing and Urban Development			305,436
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Pass through Ohio Department of JFS)			
Supplemental Nutrition Assistance Program	JFSFFB10	10.561	307,366
Total U.S. Department of Agriculture			307,366
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Pass through ODOT)			
Highway Planning and Construction	n/a	20.205	89,098
Grant for Other Than Urbanized Areas-Operating	rpt-4034-027-081	20.509	71,568
Grant for Other Than Urbanized Areas-Operating-ARRA	ts0034001		41,044
			112,612
Total U.S. Department of Transportation			201,710

See notes to Schedule of Federal Awards Expenditures.

**HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
(Pass through Ohio Department of Developmental Disabilities)			
Social Services Grant Block Grant - Title XX	MR-34FY09	93.667	14,058
			14,058
Polling Place Accessibility	n/a	93.617	338
Title XIX	n/a	93.778	193,493
(Pass through Ohio Department of Job and Family Services)			
Temporary Assistance to Needy Families (TANF)	JFSFTF10-3V60	93.558	810,560
Child Support Enforcement Agency	n/a	93.563	370,556
Child Care Cluster:			
Child Care Development Block Grant	JFSFCD10-3H70	93.575	4,861
Child Care Mandatory and Matching Funds	JFSFCM10-3H70	93.596	167,149
Total Child Care Cluster			172,010
Medical Assistance Program	JFSFMT10	93.778	672,105
Social Services Block Grant	JFSFTX10	93.667	182,441
IV-E Foster Care Maintenance	n/a	93.658	142,046
IV-E Admin and Training Payment	n/a	93.659	5,663
Total U.S. Department of Health and Human Services			2,563,270
<u>U.S. DEPARTMENT OF LABOR</u>			
(Pass through Area 7 Workforce Investment Board)			
Workforce Investment Act Cluster:			
WIA Youth	n/a	17.259	29,324
WIA Youth - ARRA			58,252
WIA Youth Administration	n/a		9,384
			96,960
WIA Adult	n/a	17.258	13,386
WIA Adult - ARRA			13,688
WIA Adult Administration	n/a		9,420
			36,494
WIA Dislocated Worker	n/a	17.260	53,069
WIA Dislocated Worker - ARRA			29,341
WIA Dislocated Worker Administration			7,033
WIA Dislocated Worker Administration - ARRA	n/a		57
			89,500
Total Workforce Investment Act Cluster			222,954
Total U.S. Department of Labor			222,954

See notes to Schedule of Federal Awards Expenditures.

**HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF JUSTICE:			
(Pass through Ohio Attorney General's Office)			
Victims of Crime Assistance Grant	08-VAGENE272T	16.575	24,741
	09-VAGENE272T		22,837
	09-SAGENE272T		2,350
			<u>49,928</u>
(Pass through Ohio Department of Public Safety)			
Edward Bryne Justice Assistance Grant - ARRA	2009-RA-A02-2313	16.803	14,099
Violence Against Women Act-JAG-ARRA	2009-AR-VA2-1258	16.803	8,734
			<u>22,833</u>
Total U.S. Department of Justice			72,761
U.S. ELECTION ASSISTANCE COMMISSION			
(Pass through Ohio Board of Elections)			
Help America Vote Act Requirements Payments		90.401	2,302
Total U.S. Election Assistance Commission			2,302
Total Federal Awards Expenditures			<u>\$ 3,727,938</u>

See notes to Schedule of Federal Awards Expenditures.

**FINANCIAL CONDITION
HARRISON COUNTY**

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of federal awards expenditures is a summary of the activity of the County's federal awards programs. The schedule has been prepared on the cash basis of accounting.

NOTE B - SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Job and family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**INDEPENDENT AUDITORS' 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

We have audited the financial statements of Harrison County, Ohio (the County) as of and for the year ended December 31, 2009, wherein we noted the County's financial statements do not comply with accounting principles generally accepted in the United States of America. We also noted that we are unable to express and we do not express an opinion of the Federal Awards Expenditures Schedule. We have issued our report thereon dated September 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harrison County's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected. We consider Finding 2009-06 and 2009-7 described in the accompanying schedule of findings to be a material weakness.

We also noted other matters involving internal control over financial reporting, which we have reported to management of the County in a separate letter dated September 22, 2010.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2009-01 through 2009-05. We also noted certain immaterial instances of noncompliance which we have reported to management of Harrison County in a separate letter dated September 22, 2010.

Harrison County's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the County's responses and accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management, Board of County Commissioners, the Auditor of State, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2010

**WOLFE, WILSON, & PHILLIPS, INC.
37 SOUTH SEVENTH STREET
ZANESVILLE, OHIO 43701**

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Harrison County
100 West Market Street
Cadiz, Ohio 43907

Compliance

We have audited the compliance of Harrison County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2009. Harrison County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Harrison County's management. Our responsibility is to express an opinion on the Harrison County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harrison County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Harrison County's compliance with those requirements.

In our opinion, Harrison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2009. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying Schedule of Findings as item 2009-08 and 2009-09.

Internal Control Over Compliance

Management of Harrison County is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered Harrison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Harrison County's internal control over compliance.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above.

The County's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended for the information of the audit committee, management, Board of County Commissioners, the Auditor of State, federal award agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
September 22, 2010

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

1. AUDITOR’S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Adverse
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(II)</i>	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	YES
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other significant deficiencies In internal control reported for major federal programs?	NO
<i>(d)(1)(v)</i>	Type of Major Programs’ Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under section .510?	YES
<i>(d)(1)(vii)</i>	Major Programs (List):	TANF, CFDA #93.558 Medicaid, CFDA #93.778 SNAP, CFDA #10.561 CSEA, CFDA #93.563
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	NO

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

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

FINDING NUMBER 2009-01

Non-compliance Citation

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities and disclosures that, while material, cannot be determined at this time. Failure to implement GAAP reporting could result in future opinion modifications or penalties under Ohio Revised Code Section 117.38.

The County should prepare its annual financial report in accordance with generally accepted accounting principles. See AOS Audit Bulletin 2005-002 for guidance on implementation deadline dates and other compliance requirements.

Client Response: We do not believe it would be cost efficient for the County to prepare GAAP statements currently.

FINDING NUMBER 2009-02

Non-compliance Citation

Ohio Revised Code Section 5705.41(B) prohibits a subdivision from making expenditures unless it has been properly appropriated. The following funds had expenditures which exceeded appropriations in 2009.

Fund	Appropriation	Expenditures	Variance
License Bureau	\$-	\$1,484	\$(1,484)
Harrison Co. Gov. center	66,418	130,942	(64,524)
Indigent Funds Court	-	523	(523)
ESCE Idea Fund	20,694	24,644	(3,950)
Special Ed Part B Fund	26,140	27,494	(1,354)
Battered Spouses	-	2,530	(2,530)
Sheriff's Levy	352,000	359,378	(7,378)
EMA	61,372	64,692	(3,320)
Debt Service	-	159,336	(159,336)
Issue II	-	535,838	(535,838)
U06 Unclaimed Money	-	106	(106)

Client Response: We did not receive a response to this citation.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

FINDING NUMBER 2009-03

Non-Compliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the estimated resources available for expenditure from that fund as certified by the budget commission on the official certificate of estimated resources. The following funds had appropriations exceeding estimated resources in the following funds as of December 31, 2009.

Fund	Estimated Resources	Appropriations	Variance
General Fund	\$2,853,470	\$2,952,190	\$(98,720)
Common Cts. - Magistrate	10,873	167,629	(156,756)
Certificate of Title	148,539	156,600	(8,061)
Clerk of Courts – Legal Computer	(35,807)	1,120	(36,927)
Recorders Special Assessment	19,459	20,000	(541)
Election Revenue	11,000	15,000	(4,000)
Dog and Kennel	59,705	60,542	(837)
ADM Computer Clk/Crts	6,412	9,500	(3,088)
Court Reporter Clk.Crts	22,088	30,000	(7,912)
Title XX Ret Child	14,083	14,228	(145)
Bicentennial Bell	33,026	40,536	(7,510)
Bureau of Support	558,189	603,472	(45,283)
Road and Bridge	475,634	654,201	(178,567)
Light Program	22,410	29,058	(6,648)
Harrison Economic Development	(217,903)	75,280	(293,183)
Public Assistance	3,087,229	3,202,229	(115,000)
WIA	159,080	357,674	(198,594)
Gas Tax	3,606,911	3,811,911	(205,000)
Regional Planning Commission	1,784	2,084	(300)
CHIP Grant	167,706	459,950	(292,244)
Children Services	740,802	860,802	(120,000)
Blocking Grant T54	78,486	79,000	(514)
Sheriff's Levy	348,756	352,000	(3,244)
LETPPG	12,632	366,862	(354,230)
X10 ARRA	-	29,709	(29,709)
X11 VAWA	-	9,109	(9,109)
Ambulance Service	222,204	273,304	(51,100)
EMA	(12,929)	61,372	(74,301)
LEPC	17,894	21,188	(3,294)
Capital Improvements	89,733	200,000	(110,267)
Capital Rev Account	181,734	467,000	(285,266)
Capital Improvement PDA	50,000	203,000	(153,000)
County Water District	129,670	150,000	(20,330)

Client Response: We did not receive a response to this citation.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

FINDING NUMBER 2009-04

Non-Compliance Citation

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

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

The County did not certify or record the expenditure amount against the applicable appropriation accounts for 75% of all expenditures tested. The County did not utilize any of the exceptions described in the second paragraph for those disbursements lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, the County Auditor should certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

The County should certify purchases to which section Ohio Revised Code Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code Section 5705.41(D) requires for authorizing disbursements. The County Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Client Response: We did not receive a response to this citation.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

FINDING NUMBER 2009-05

Non-Compliance Citation

Ohio Revised Code Section 5705.10 provides that money paid into any fund shall be used for the purpose for which it was established. At December 31, 2008, the following funds had deficit balances:

Fund	Balance
General Fund	\$(101,317)
Harrison Co. Gov. Center	(69,765)
Magistrate	(64,127)
Clerk of Courts - Computer	(36,927)
Dog and Kennel	(845)
Harrison Co. Economic Development	(276,903)
CHIP Grant	(23,294)
EMS	(98,789)
Debt Service	(57,708)

Client Response: We did not receive a response to this citation

FINDING NUMBER 2009-06

Material Weakness

Ohio Administrative Code Section 117-2-02(C)(1) states, “All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations.”

The County Auditor did not accurately post to the ledgers the amounts of temporary or permanent appropriations as approved by the Board of Commissioners. The amounts of temporary appropriations were not clearly stated as Commissioners repeatedly passed 1/26th of the prior year appropriations prior to passing the annual appropriation resolution. Permanent appropriations, which were accurately posted in fund total, were not accurately posted at the legal level of controls.

The County Auditor did not accurately post to the ledgers the amounts of estimated resources as certified by the County Budget Commission. The amounts posted to the receipt ledger for several funds did not equal the amounts estimated for the funds per the certificate.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

FINDING NUMBER 2009-06 (Continued)

As the appropriation resolution and subsequent amendments establish the legal spending authority of the County and the appropriation ledger provides the process by which the County controls spending, it is necessary that the amounts appropriated by the County Commissioners are precisely stated and accurately posted to the appropriation ledger. And as the original certificate and amendments establish the amounts available for expenditures in the County and the receipt ledger provides the process by which the County controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The County Commissioners should pass appropriations in specific amounts for all funds, with the amounts noted in the minute record. The County Auditor should then post approved amounts for both the appropriations and estimated revenue to the ledger. Amounts posted should then be verified to the appropriation resolution and to the Certificate of Estimated Resources for accuracy.

Client Response: We did not receive any response from the Client.

FINDING NUMBER 2009-07

Material Weakness

Ohio Administrative Code Section 117-2-02(A) states that all public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by the Ohio Administrative Code Section 117-2-03. The County did not correctly code and classify receipts. As a result, numerous immaterial postings of local taxes, intergovernmental revenue, other financing sources, charges for services and debt proceeds and debt payments were identified but not adjusted.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the County will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements. The Auditor should review the chart of accounts suggested in Ohio Administrative Code Section 117-5-01. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the County is accurately recorded and reported.

Client Response: We did not receive a response from the client.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2009**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2009-08

CFDA #14.239 Community Housing Improvement Program

Federal Award Number: B-C-04-031-2

U.S. Department of Housing and Urban Development

Pass Through Ohio Department of Development

Non-Compliance: Cash Management

The Ohio Department of Development Office of Housing and Community Partnership (OHCP) Financial Management Rules and Regulations Section (A)(3)(f) states that funds drawn down should be limited to the amounts that will enable the grantee to disburse the funds on hand to a balance of less than \$5,000 within fifteen days of receipt of funds. Lump sum draw downs are not permitted.

The County violated the 15 day rule when making draw downs for the Community Housing Improvement Program grant.

The County's cash management policies include procedures for inspection of each rehabilitation or construction project and the approval of each invoice before payment is made. The projects, for which these draw downs were requested, were not completed, inspected and approved within the fifteen day period.

Noncompliance with the fifteen day cash management requirement could jeopardize the County's funding for future projects. The County should establish a system by which the project completion dates can be anticipated more accurately. If the fifteen day requirement cannot be met, the County should notify the pass through agency, the Ohio Department of Development..

Client Response: We understand the importance of the fifteen day cash management requirement and do make every attempt to follow those guidelines.

FINDING NUMBER 2009-09

Applicable for all federal programs

Federal Reporting Compliance – Material Noncompliance

OMB Circular A-133 Section .300(e) provides that the auditee is responsible for appropriate submission of the audit reports to the appropriate government officials and organizations. OMB A-133 Section .320(a) further provides that the audit report and data collection form must be submitted within the earlier of 30 days after the reports are received from the auditors, or nine months after year end of the audit period, unless a longer period is agreed upon in advance by the cognizant or oversight agency. The County did not request an extension of time with the cognizant or oversight agency when they noted that the audit would not be completed by the appropriate deadline.

We recommend the County contact the appropriate cognizant or oversight agency if is or will be known that they cannot meet the appropriate deadline for the filing of the audit report and Data Collection form.

Client Response: We did not receive a response from the client.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 Sec. .315(b)
December 31, 2009**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid.
2008-01	Ohio Adm. Code 117-2-03 (B), failure to report on GAAP basis	No	Re-issued as Finding 2009-01
2008-02	ORC 5705.41(B) Expenditures exceeded appropriations	No	Re-issued as Finding 2009-02
2008-03	ORC 5705.39 appropriations exceeded estimated resources	No	Re-issued as Finding 2009-03
2008-04	ORC 5705.41(D), failure to encumber	No	Re-issued as Finding 2009-04
2008-05	ORC 5705.10 Negative fund balances	No	Re-issued as Finding 2009-05
2008-06	OAC 117-2-02 (c) (1) Failure to post appropriations to ledgers	No	Re-issued as Finding 2009-06
2008-07	OAC 117-2-02 (A) failure to adopt & follow a chart of accounts	No	Re-issued as Finding 2009-07
2008-08	OHCP Financial Management Rules & Regs. Section (A)(3)(f) violated 15 day rule	No	Re-issued as Finding 2009-08
2008-09	Failure to request an extension with the appropriate cognizant or oversight agency	No	Re-issued as Finding 2009-09



Mary Taylor, CPA
Auditor of State

HARRISON COUNTY FINANCIAL CONDITION

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
NOVEMBER 23, 2010**