

HARRISON COUNTY
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2010

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



Dave Yost • Auditor of State

Board of 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, 2010 through December 31, 2010. 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.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

September 15, 2011

This Page is Intentionally Left Blank.

**FINANCIAL CONDITION
HARRISON COUNTY**

TABLE OF CONTENTS

<u>Title</u>	<u>Page</u>
Independent Auditors' Report.....	1
Combined Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances - All Government and Similar Fiduciary Fund Types for the Year Ended December 31, 2010.....	3
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, 2010.....	4
Combined Statement of Receipts - Budget and Actual for the Year Ended December 31, 2010.....	5
Combined Statement of Disbursements and Encumbrances Compared with Expenditure Authority for the Year Ended December 31, 2010.....	6
Notes to the Financial Statements.....	7
Schedule of Federal Awards.....	23
Notes to Schedule of Federal Awards.....	26
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required By Government Auditing Standards.....	27
Independent Auditors' Report on Compliance with Requirements That Could have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 Standards.....	29
Schedule of Findings and Questioned Costs.....	31
Schedule of Prior Audit Findings.....	38

**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, 2010. 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, 2010, 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 July 7, 2011, 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.

Financial Condition
Harrison County
Independent Auditors' Report
Page 2

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, 2010, 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
July 7, 2011

**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, 2010**

	Governmental Fund Types			Capital Projects	Fiduciary	Totals
	General	Special Revenue	Debt Service		Private-Purpose Trust	(Memorandum Only)
Cash Receipts:						
Property Tax and Other Local Taxes	\$ 2,100,121	\$ 2,571,976	\$ -	\$ 65,106	\$ -	\$ 4,737,203
Licenses and Permits	1,060	-	-	-	-	1,060
Intergovernmental Receipts	288,225	4,178,160	-	937,985	-	5,404,370
Charges for Services	295,620	2,064,782	-	-	-	2,360,402
Fines and Forfeitures	125,919	3,567,652	-	-	-	3,693,571
Special Assessments	-	26,961	-	-	-	26,961
Other Revenue	20,498	61,478	164,812	196,781	19,840	463,409
Total Cash Receipts	2,831,443	12,471,009	164,812	1,199,872	19,840	16,686,976
Cash Disbursements:						
General Government						
Legislative and Executive	1,498,902	837,452	-	-	-	2,336,354
Judicial	487,191	1,793,474	-	-	-	2,280,665
Public Safety	548,742	805,222	-	-	38,724	1,392,688
Public Works	4,965	4,207,648	-	-	-	4,212,613
Health	-	310,538	-	112,457	-	422,995
Human Services	112,649	4,399,048	-	-	-	4,511,697
Miscellaneous	-	13,947	-	-	87,815	101,762
Debt Service:						
Bond Payments	-	42,276	139,962	-	-	182,238
Note Payments	-	216,916	-	-	-	216,916
Interest and Fiscal	-	55,621	22,333	-	-	77,954
Capital Projects	-	-	-	1,034,280	-	1,034,280
Total Cash Disbursements	2,652,449	12,682,142	162,295	1,146,737	126,539	16,770,162
Total Receipts Over/(Under) Disbursements	178,994	(211,133)	2,517	53,135	(106,699)	(83,186)
Other Financing Receipts and (Disbursements)						
Transfers-In	-	158,304	-	-	-	158,304
Debt Proceeds	-	596,187	-	-	-	596,187
Other Financing Sources	227,181	-	-	-	-	227,181
Advances - In	-	24,000	-	-	-	24,000
Transfers-Out	(158,304)	-	-	-	-	(158,304)
Advances - Out	-	(24,000)	-	-	-	(24,000)
Other Financing Uses	-	-	-	-	-	-
Total Other Financing Receipts and (Disbursements)	68,877	754,491	-	-	-	823,368
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	247,871	543,358	2,517	53,135	(106,699)	740,182
Fund Cash Balances, January 1, restated	(101,317)	1,774,604	(8,370)	205,961	398,004	2,268,882
Fund Cash Balances, December 31	\$ 146,554	\$ 2,317,962	\$ (5,853)	\$ 259,096	\$ 291,305	\$ 3,009,064
Reserve for Encumbrances, December 31	\$ 5,534	\$ 807,970	\$ -	\$ 4,524	\$ -	\$ 818,028

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, 2010**

	Proprietary Fund Type	Fiduciary Fund Type	Totals (Memorandum Only)
	Enterprise	Agency	
Operating Cash Receipts:			
Intergovernmental Receipts	\$ -	\$ -	\$ -
Charges for Services	438,442	-	438,442
Total Operating Cash Receipts	438,442	-	438,442
Operating Cash Disbursements:			
Legislative and Executive	-	-	-
Personal Services	657,681	-	657,681
Total Operating Cash Disbursements	657,681	-	657,681
Operating Income/(Loss)	(219,239)	-	(219,239)
Non-Operating Cash Receipts			
Debt Proceeds	-	-	-
Other Non-Operating Cash Receipts	261,135	24,451,458	24,712,593
Total Non-Operating Cash Receipts	261,135	24,451,458	24,712,593
Non-Operating Cash Disbursements			
Debt-Principal	34,731	-	34,731
Debt-Interest	13,712	-	13,712
Other Non-Operating Cash Disbursements	-	24,171,206	24,171,206
Total Non-Operating Cash Disbursements	48,443	24,171,206	24,219,649
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advance	(6,547)	280,252	273,705
Transfers-In	-	-	-
Transfers-Out	-	-	-
Net Receipts Over/(Under) Disbursements	(6,547)	280,252	273,705
Fund Cash Balances, January 1, restated	76,588	1,020,588	1,097,176
Fund Cash Balances, December 31	\$ 70,041	\$ 1,300,840	\$ 1,370,881
Reserve for Encumbrances, December 31	\$ 399	\$ -	\$ 399

See notes to financial statements.

**FINANCIAL CONDITION
HARRISON COUNTY**

**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2010**

Fund Types/Funds	<u>Budget</u>	<u>Actual</u>	<u>Totals</u>
Governmental Fund Types:			
General Fund	\$ 3,009,967	\$ 3,058,624	\$ 48,657
Special Revenue Funds	13,321,635	13,225,500	(96,135)
Debt Service Funds	140,925	164,812	23,887
Capital Projects Funds	827,523	1,199,872	372,349
Private-Purpose Trust Funds	19,835	19,840	5
Proprietary Fund Types:			
Enterprise Funds	<u>698,950</u>	<u>699,577</u>	<u>627</u>
Totals	<u><u>\$ 18,018,835</u></u>	<u><u>\$ 18,368,225</u></u>	<u><u>\$ 349,390</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, 2010**

Fund Types/Funds	Prior Year Carryover	2010	Totals	Actual Disbursements	Encumbrances Outstanding 12/31/2010	Totals	Variance Favorable (Unfavorable)
	<u>Appropriations</u>	<u>Appropriations</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental Fund Types:							
General Fund	\$ -	\$ 2,876,426	\$ 2,876,426	\$ 2,810,752	\$ 5,534	\$ 2,816,286	\$ 60,140
Special Revenue Funds	-	14,284,066	14,284,066	12,682,142	807,970	13,490,112	793,954
Debt Service Funds	-	131,066	131,066	162,295	-	162,295	(31,229)
Capital Projects Funds	-	838,457	838,457	1,146,737	-	1,146,737	(308,280)
Private-Purpose Trust Funds	-	204,540	204,540	126,539	-	126,539	78,001
Proprietary Fund Types:							
Enterprise Funds	-	713,049	713,049	706,124	-	706,124	6,925
Totals	<u>\$ -</u>	<u>\$ 19,047,604</u>	<u>\$ 19,047,604</u>	<u>\$ 17,634,589</u>	<u>\$ 813,504</u>	<u>\$ 18,448,093</u>	<u>\$ 599,511</u>

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, 2010 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. PNC Bank is the financial institution for Harrison County.

The County did not have any undeposited cash on hand for 2010.

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, 2010, \$3,953,804 of the County's bank balance of \$4,203,804 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
Title XX B60 Fund	\$13,921	\$13,994	\$(73)
Sheriff House Arrest	3,500	4,288	(788)
Community Corrections	46,217	46,411	(291)
Polling Place Access Grant	235	238	(3)
Children Services	761,000	789,554	(28,554)
EMA	56,377	65,818	(9,441)
Emergency Federal Management	-	38,938	(38,938)
Debt Service	131,067	162,296	(31,229)
Issue II	300,000	673,170	(373,170)

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).

The County held grant money received for the Workforce Investment Act (WIA) for more than ten days, which violated 2 C.F.R. Section 215.22(b)(2) and Ohio Admin. Code Rule 5101:9-7-04(A).

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
Harrison Co. Government Center	\$62,993	\$132,594	\$(69,601)
Common Cts. - Magistrate	3,095	118,458	(115,363)
Clerk of Courts – Legal Computer	(36,357)	-	(36,357)
Dog and Kennel	27,296	65,310	(38,014)
Juvenile Restitution	2,964	3,000	(36)
Bureau of Support	555,822	563,258	(7,436)
Harrison Economic Development	(222,006)	79,800	(301,806)
WIA	361,183	416,050	(54,867)
Gas Tax	3,257,308	3,609,912	(352,604)
CHIP Grant	152,361	185,530	(33,168)
Children Services	641,147	761,000	(119,853)
ARRA X10 Fund	135,610	154,834	(19,224)
VAWA	39,572	42,894	(3,322)
Jail Corrections	23,930	77,500	(53,570)
EMA	26,970	56,377	(29,407)

Several funds had deficit balances at December 31, 2010, which is contrary to Ohio Revised Code Section 5705.10. The funds are listed below.

Fund	Balance
Harrison Co. Gov. Center	(46,988)
Magistrate	(109,051)
Clerk of Courts – Computer	(36,357)
Dog and Kennel	(1,832)
Title XX B60	(56)
ECSE IDEA	(1,519)
Sheriff House Arrest	(539)
Jail Corrections	(7,503)
Harrison Co. Economic Development	(279,685)
Gas Tax	(120,487)
CHIP Grant	(25,498)
ARRA X10	(14,269)
VAWA	(3,434)
EMS	(38,896)
Homeland Security	(26,4140)
Debt Service	(5,854)

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

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, 2009, was \$13.42 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective rate was \$10.21 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$12.27 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.

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, 2010 was \$13.42 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

5. DEBT OBLIGATIONS

Debt Outstanding at December 31, 2010, consisted of the following:

	Amount	Interest
General Obligation Notes	\$ 1,067,432	0.00%-5.30%
General Obligation Bonds	858,007	5.25%-5.75%
OWDA Loans	531,073	0.00%-3.95%
Kansas State Truck Lease	485,474	4.23%
Total Debt	\$ 2,941,986	

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. There are some that do not have amortizations completed as of December 31, 2010.

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.

In 2010, the County entered into a agreement with Kansas State Bank to lease trucks for use in the engineers office. The lease is for five years with semi-annual payments.

The Ohio Water Development Authority (OWDA) loans are for utility construction projects that include water quality enhancements and pollution control measures. Loan proceeds were used to upgrade the Tippecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The 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. There is not an amortization schedule for loan #3655.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

5. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize all debt outstanding as of December 31, 2010, including interest are as followed:

Year Ended December 31	G.O. Notes	G.O. Bonds	OWDA
2011	\$104,559	\$192,316	\$22,383
2012	99,559	192,316	22,383
2013	86,062	142,149	22,383
2014	77,564	67,400	22,383
2015	76,330	67,400	22,383
2016-2020	380,145	337,000	111,919
2021-2025	213,966	84,606	94,574
2026-2030	6,192	-	7,983
2031-2035	-	-	-
Totals	\$ 1,044,377	\$ 1,083,187	\$ 326,391

Year Ended December 31	Kansas State
2011	\$132,577
2012	132,577
2013	132,577
2014	132,577
Totals	\$ 530,308

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 2010 amounted to \$1,367,269

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 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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2010, the members of all three plans, except for those in law enforcement or public safety participating in the traditional plan, were required to contribute 10.0 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 11.1 percent of their annual covered salary; members in public safety contributed 10.5 percent. The County's contribution rate for pension benefits for 2010 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contribution were 17.87 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2010, 2009, 2008 were \$873,856, \$912,828, and \$948,006, respectively; 100 percent has been contributed for 2010, 2009, 2008.

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.

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

8. DEFINED BENEFIT PENSION PLANS (Continued)

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 2010, 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, 2010, 2009 and 2008 was \$24,980, \$28,304 and \$28,902, respectively. 100% of has been contributed for 2010, 2009 and 2008. 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

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

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

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

9. POST EMPLOYMENT BENEFITS (Continued)

Funding Policy-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 2010, state and local employers contributed at a rate of 14.00% of covered payroll and public safety and law enforcement employers contributed at 17.87%. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.00% of covered payroll for state and local employer units and 18.10% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS Post Employment Health Care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 5.5% from January 1 through February 28, 2010 and 5.0% from March 1 through December 31, 2010. The portion of employer contributions allocated to health care for members in the Combined Plan was 4.73% from January 1 through February 2010 and 4.23% from March 1 through December 31, 2010. The OPERS Board of Trustees 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 their coverage selected.

The County's contributions for health care to the OPERS for the years ending December 31, 2010, 2009, and 2008 were \$332,034, \$368,558 and \$375,929, respectively, which were equal to the required contributions for each year.

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

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO FINANCIAL STATEMENTS

10. FUND BALANCE RESTATEMENT

As of January 1, 2010, the County increased the Special Revenue Fund balance by \$197,604 which changed the balance from \$1,577,000 to \$1,774,604 and decreased the Agency Fund balance by \$197,604 which changed the balance from \$1,218,192 to \$1,020,588. This was due to the J50 fund, which should be a special revenue fund, being included in the Agency fund balance at December 31, 2009.

**HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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 Pre-School Grant	PG-S1-09	84.173	8,212
Special Education Pre-School Grant	PG-S1-10	84.173	8,189
			<hr/>
Total U.S. Department of Education			16,401
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Pass through Ohio Department of Development)			
Community Development Block Grant	BF-09-031-1	14.228	78,000
	BC-08-031-1		35,006
			<hr/>
			113,006
HOME Partnership Grant	BC-08-031-2	14.239	130,552
			<hr/>
			130,552
Total U.S. Department of Housing and Urban Development			243,558
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
(Pass through Ohio Department of JFS)			
Supplemental Nutrition Assistance Program	JFSFFB10	10.561	338,050
Total U.S. Department of Agriculture			338,050
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
(Pass through ODOT)			
Highway Planning and Construction	n/a	20.205	65,000
Grant for Other Than Urbanized Areas-Operating	RPT-4034-031010	20.509	468,419
			<hr/>
Total U.S. Department of Transportation			533,419

See notes to Schedule of Federal Awards Expenditures.

**HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	10,308
			10,308
Polling Place Accessibility	n/a	93.617	238
Title XIX	n/a	93.778	184,734
(Pass through Ohio Department of Job and Family Services)			
Temporary Assistance to Needy Families (TANF)	JFSFTF10-3V60	93.558	668,255
Child Support Enforcement Agency	n/a	93.563	390,189
Child Care Cluster: Child Care Mandatory and Matching Funds	JFSFCM10-3H70	93.596	40,266
Total Child Care Cluster			40,266
Child Care and Development Block Grant	JFSFCD09S-3H70	93.713	8,267
Medical Assistance Program	JFSFMT10	93.778	576,966
Social Services Block Grant	JFSFTX10	93.667	281,231
IV-E Foster Care Maintenance	n/a	93.658	108,897
IV-E Admin and Training Payment	n/a	93.659	86,968
Total U.S. Department of Health and Human Services			2,356,319
<u>U.S. DEPARTMENT OF LABOR</u>			
(Pass through Area 7 Workforce Investment Board)			
Workforce Investment Act Cluster:			
WIA Youth	n/a	17.259	20,104
WIA Youth - ARRA			1,335
			21,439
WIA Adult	n/a	17.258	117,395
WIA Adult - ARRA			33,964
WIA Adult Administration	n/a		2,405
			153,764
WIA Dislocated Worker	n/a	17.260	165,134
WIA Dislocated Worker - ARRA			31,443
WIA Dislocated Worker Administration			1,076
			197,653
Total Workforce Investment Act Cluster			372,856
Total U.S. Department of Labor			372,856

See notes to Schedule of Federal Awards Expenditures.

**HARRISON COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF JUSTICE;</u>			
Direct			
Assistance to Rural Law Enforcement -ARRA	2009-SD-B9-0174	16.810	31,429
(Pass through Ohio Attorney General's Office)			
Victims of Crime Assistance Grant	10-VAGENE272	16.575	31,772
	10-SAGENE272		<u>2,350</u>
			34,122
(Pass through Ohio Department of Public Safety)			
Edward Bryne Justice Assistance Grant - ARRA	2009-RA-A02-2313	16.803	149,850
Violence Against Women Act-JAG-ARRA	2009-AR-VA2-1258	16.803	<u>42,526</u>
			192,376
Total U.S. Department of Justice			257,927
U.S. ELECTION ASSISTANCE COMMISSION			
(Pass through Ohio Board of Elections)			
Help America Vote Act Requirements Payments		90.401	<u>265</u>
Total U.S. Election Assistance Commission			265
Total Federal Awards Expenditures			<u>\$ 4,118,795</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.

NOTE C – OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Harrison County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, In July 2010 ODJFS adjusted some of the County’s child care expenditures to align them with available funding sources. ODJFS adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

	CFDA #	Pass Through Number	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care Matching	93.596	JFSFCM10-3H70	\$ 167,149	\$ (20,309)	\$ 146,840
TANF	93.558	JFSFTF10-3V60	810,560	20,309	830,869
Total			\$ 977,709	\$ -	\$ 977,709

**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, 2010, 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 July 7, 2011. 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 2010-06 and 2010-7 and with 2010-09 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 July 7, 2011.

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 2010-01 through 2010-05. We also noted certain immaterial instances of noncompliance which we have reported to management of Harrison County in a separate letter dated July 7, 2011.

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
July 7, 2011

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

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON 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 could have a direct and material effect on each of Harrison County's major federal program for the year ended December 31, 2010. 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, 2010. However, the results of our auditing procedures disclosed one instance 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 2010-08.

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
July 7, 2011

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2010**

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 Transit, CFDA #20.509 WIA, CFDA #17.258, 259, 260
<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, 2010**

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

FINDING NUMBER 2010-01

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 2010-02

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 2010.

Fund	Appropriation	Expenditures	Variance
Title XX B60 Fund	\$13,921	\$13,994	\$(73)
Sheriff House Arrest	3,500	4,288	(788)
Community Corrections	46,217	46,411	(291)
Polling Place Access Grant	235	238	(3)
Children Services	761,000	789,554	(28,554)
EMA	56,377	65,818	(9,441)
Emergency Federal Management	-	38,938	(38,938)
Debt Service	131,067	162,296	(31,229)
Issue II	300,000	673,170	(373,170)

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, 2010**

FINDING NUMBER 2010-03

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, 2010.

Fund	Estimated Resources	Appropriations	Variance
Harrison Co. Government Center	\$62,993	\$132,594	\$(69,601)
Common Cts. - Magistrate	3,095	118,458	(115,363)
Clerk of Courts – Legal Computer	(36,357)	-	(36,357)
Dog and Kennel	27,296	65,310	(38,014)
Juvenile Restitution	2,964	3,000	(36)
Bureau of Support	555,822	563,258	(7,436)
Harrison Economic Development	(222,006)	79,800	(301,806)
WIA	361,183	416,050	(54,867)
Gas Tax	3,257,308	3,609,912	(352,604)
CHIP Grant	152,361	185,530	(33,168)
Children Services	641,147	761,000	(119,853)
ARRA X10 Fund	135,610	154,834	(19,224)
VAWA	39,572	42,894	(3,322)
Jail Corrections	23,930	77,500	(53,570)
EMA	26,970	56,377	(29,407)

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, 2010**

FINDING NUMBER 2010-04

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, 2010**

FINDING NUMBER 2010-05

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, 2010, the following funds had deficit balances:

Fund	Balance
Harrison Co. Gov. Center	(46,988)
Magistrate	(109,051)
Clerk of Courts – Computer	(36,357)
Dog and Kennel	(1,832)
Title XX B60	(56)
ECSE IDEA	(1,519)
Sheriff House Arrest	(539)
Jail Corrections	(7,503)
Harrison Co. Economic Development	(279,685)
Gas Tax	(120,487)
CHIP Grant	(25,498)
ARRA X10	(14,269)
VAWA	(3,434)
EMS	(38,896)
Homeland Security	(26,4140)
Debt Service	(5,854)

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

FINDING NUMBER 2010-06

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 for three funds. 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, 2010**

FINDING NUMBER 2010-06 (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 2010-07

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.

FINDING NUMBER 2010-09

Material Weakness

The County's internal control system in regards to fund classification did not accurately report one fund in its proper classification. A restatement of beginning balances was done for Special Revenue Fund and Agency Funds as of January 1, 2010. Failure to maintain accurate information can lead to inaccurate information that future decisions may be based on.

Client Response: We will review funds yearly.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A – 133 SECTION .505
DECEMBER 31, 2010**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2010-08

CFDA #17.258, 17.259 and 17.260 Workforce Investment Act Cluster

Federal Award Number: N/A

U.S. Department of Labor

Pass Through Workforce Investment Act Area 7

Non-Compliance Citation: Cash Management

2 C.F.R. Section 215.22(b)(2) requires that cash advances be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project. Since the Ohio Department of Job and Family Services has a ten-day disbursement cycle, Workforce Investment Act (WIA) program cash balances should not significantly exceed the amounts needed in the next ten days.

We recommend WIA cash balances be monitored on a regular basis and that weekly cash draw requests be reduced or eliminated during times when the WIA program cash balance is adequate to cover immediate cash needs.

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

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 Sec. .315(b)
December 31, 2010**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid.
2009-01	Ohio Adm. Code 117-2-03 (B), failure to report on GAAP basis	No	Re-issued as Finding 2010-01
2009-02	ORC 5705.41(B) Expenditures exceeded appropriations	No	Re-issued as Finding 2010-02
2009-03	ORC 5705.39 appropriations exceeded estimated resources	No	Re-issued as Finding 2010-03
2009-04	ORC 5705.41(D), failure to encumber	No	Re-issued as Finding 2010-04
2009-05	ORC 5705.10 Negative fund balances	No	Re-issued as Finding 2010-05
2009-06	OAC 117-2-02 (c) (1) Failure to post appropriations to ledgers	No	Re-issued as Finding 2010-06
2009-07	OAC 117-2-02 (A) failure to adopt & follow a chart of accounts	No	Re-issued as Finding 2010-07
2009-08	OHCP Financial Management Rules & Regs. Section (A)(3)(f) violated 15 day rule	No	Not Corrected, Originally reported as Finding 2006-09
2009-09	Failure to request an extension with the appropriate cognizant or oversight agency	Yes	No Longer valid

This Page is Intentionally Left Blank.



Dave Yost • Auditor of State

HARRISON COUNTY FINANCIAL CONDITION

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 29, 2011