FINANCIAL CONDITION
HARRISON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2011

Dave Yost • Auditor of State

FINANCIAL CONDITION
HARRISON COUNTY

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INDEPENDENT ACCOUNTANTS' 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, 2011. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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, because of the departure from generally accepted accounting principles described in the preceding paragraph, 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, 2011 in accordance with accounting principles generally accepted in the United States of America.

The County failed to adopt the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and the Governmental Fund Type Definitions* are effective for the year ended December 31, 2011, as mandated by Auditor of State Bulletin 2011-004 regulatory basis financial statements.

In our opinion, because of the matter referred to in the preceding paragraph, the financial statements referred to above do not present fund balances of governmental funds fairly, in all material respects, as fund balances are not classified to conform to the provisions of GASB Statement No. 54.

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During 2011, the Harrison County Treasurer issued loans in the amounts of $17,988 and $510,520 to the Board of Elections and to the County Engineer, respectively. Ohio Revised Code Section 321.23 provides in part that a County Treasurer cannot loan money belonging to the County with or without interest. The balance of the loans outstanding is considered to be an investment balance and is reported as a component of the General Fund cash balance. Had these amounts been properly expended from the General Fund, the effect would have been to increase expenditures in the General Fund by $528,508 and to decrease the General Fund cash balance to ($528,508).

Also, in our opinion, except for the matter referred to in the preceding paragraph, the financial statements referred to above do not present fairly, in all material respects, the fund cash balance of the General Fund of Harrison County as of December 31, 2011, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1 describes.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2012 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 did 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.

We conducted our audit to opine on the County's financial statements taken as a whole. The federal awards expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This schedule was subject to the auditing procedures we applied to the 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 31,2011 or its changes in financial position or its cash flow for the year then ended. Therefore, we were unable to express, and do not express, an opinion on the Federal Awards Expenditure Schedule.

Dave Yost

Dave Yost
Auditor of State

September 21, 2012

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FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Governmental Fund Types					
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Permanent**	**Totals (Memorandum Only)**
Cash Receipts:						
Property and Local Taxes	$1,861,544	$1,631,198	$124,915	$97,287		$3,714,944
Intergovernmental	537,585	7,246,046		308,333		8,091,964
Special Assessments		6,359				6,359
Charges for Services	452,752	1,646,171				2,098,923
Licenses and Permits	1,135	13,773				14,908
Fines and Forefeitures	95,022	246,352				341,374
Miscellaneous	188,006	1,652,053	15,344	14,483	$12,061	1,881,947
Total Cash Receipts	3,136,044	12,441,952	140,259	420,103	12,061	16,150,419
Cash Disbursements:						
General Government:						
Legislative and Executive	1,448,248	873,936				2,322,184
Judicial	611,756	1,567,867				2,179,623
Public Safety	561,853	813,523				1,375,376
Public Works	4,993	4,134,207				4,139,200
Health	12,929	287,888				300,817
Human Services	106,981	4,113,445				4,220,426
Miscellaneous	17,488	29,430			12,367	59,285
Capital Outlay				342,332		342,332
Debt Service:						
Redemption of Bond Principal		36,300	110,963			147,263
Redemption of Note Principal		320,503			36,938	357,441
Interest and Fiscal Charges		84,515	13,952		562	99,029
Total Cash Disbursements	2,764,248	12,261,614	124,915	342,332	49,867	15,542,976
Total Receipts Over/(Under) Disbursements	371,796	180,338	15,344	77,771	(37,806)	607,443
Other Financing Receipts / (Disbursements):						
Transfers-In		144,896				144,896
Transfers-Out	(144,896)					(144,896)
Other Financing Sources	92,274	22,600				114,874
Other Financing Uses	(14,243)	(239)	(15,345)			(29,827)
Total Other Financing Receipts / (Disbursements)	(66,865)	167,257	(15,345)			85,047
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	304,931	347,595	(1)	77,771	(37,806)	692,490
Fund Cash Balances, January 1	(17,778)	2,452,334	(5,853)	259,096	291,305	2,979,104
Fund Cash Balances, December 31	**$287,153**	**$2,799,929**	**($5,854)**	**$336,867**	**$253,499**	**$3,671,594**
Reserve for Encumbrances, December 31	$19,159	$568,702		$31,000		$618,861

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

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2011

	Proprietary Fund Types	Fiduciary Fund Types	
	Enterprise	**Agency**	**Totals (Memorandum Only)**
Operating Cash Receipts:			
Charges for Services	$463,866	$229,623	$693,489
Total Operating Cash Receipts	463,866	229,623	693,489
Operating Cash Disbursements:			
Personal Services	824,373		824,373
Total Operating Cash Disbursements	824,373		824,373
Operating Income/(Loss)	(360,507)	229,623	(130,884)
Non-Operating Cash Receipts:			
Intergovernmental	333,600		333,600
Other Non-Operating Cash Receipts		24,978,708	24,978,708
Total Non-Operating Cash Receipts	333,600	24,978,708	25,312,308
Non-Operating Cash Disbursements:			
Redemption of Principal	38,554		38,554
Interest and Other Fiscal Charges	5,027		5,027
Other Non-Operating Cash Disbursements		25,138,015	25,138,015
Total Non-Operating Cash Disbursements	43,581	25,138,015	25,181,596
Net Receipts Over/(Under) Disbursements	(70,488)	70,316	(172)
Fund Cash Balances, January 1	70,041	1,328,841	1,398,882
Fund Cash Balances, December 31	**($447)**	**$1,399,157**	**$1,398,710**
Reserve for Encumbrances, December 31	$167	$0	$167

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

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011

Fund Types/Funds	Budget	Actual	Variance
Governmental Fund Type			
General	$3,032,266	$3,228,318	$196,052
Special Revenue	13,207,139	12,609,448	(597,691)
Debt Service	140,000	140,259	259
Capital Projects	552,100	420,103	(131,997)
Permanent	185,716	12,061	(173,655)
Proprietary Fund Type			
Enterprise	847,750	797,466	(50,284)
Totals	**$17,964,971**	**$17,207,655**	**($757,316)**

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
BUDGET AND ACTUAL COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2011

Fund Types/Funds	Prior Year Carryover Appropriations	2011 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding 12/31/2011	Totals	Variance
Governmental Fund Type							
General	$5,534	$2,958,170	$2,963,704	$2,923,387	$19,159	$2,942,546	$21,158
Special Revenue	378,605	12,493,305	12,871,910	12,261,853	568,702	12,830,555	41,355
Debt Service	0	0	0	140,260	0	140,260	(140,260)
Capital Project	0	552,100	552,100	342,332	31,000	373,332	178,768
Permanent	0	206,850	206,850	49,867	0	49,867	156,983
Proprietary Fund Type							
Enterprise	0	847,750	847,750	867,954	167	868,121	(20,371)
Totals	$384,139	$17,058,175	$17,442,314	$16,585,653	$619,028	$17,204,681	$237,633

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

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

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

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

B. Accounting Basis

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 and are not required to prepare annual financial reports in accordance with general 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 account described in the preceding paragraph.

C. Deposits and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts and disbursements, respectively. Certificates of deposits are valued at cost.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Fund Accounting

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

1. Governmental Fund Types:

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

General Fund – The General Fund is the operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

2. Proprietary Funds

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

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

3. Fiduciary Funds

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

1. Budget

A budget of estimated cash receipts and disbursements is submitted to the County auditor, as secretary of the County budget commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County budget commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2011 unencumbered fund balances. However, these fund balances are available for appropriations.

3. Appropriations

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

4. Encumbrances

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

F. Property, Plant, and Equipment

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

G. Total Columns on Financial Statements

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

2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS

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 monies 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 that the end of the current period of designation of depositories, or by savings or deposit account including, but not limited to, passbook accounts.

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 for the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies 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 deferral 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, 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 obligation 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).

2. EQUITY IN POOLED DEPOSITS 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. Huntington Bank and PNC Bank are the financial institutions for Harrison County.

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, 2011, $2,279,181 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.

Contrary to Ohio Revised Code Section 321.23, the County Treasurer issued loans to the Board of Elections and to the County Engineer. In addition, contrary to Ohio Revised Code Section 5705.1(H), the County had nine deficit fund balances at December 31, 2011 as follows: Government Center Fund ($40,285); Magistrate Fund($83,866); Clerk of Court Computer Fund ($31,261); Title I Fund ($5,133); Harrison Economic Fund ($278,826); Gasoline Tax Fund ($58,072); Emergency Management Service ($18,484); Med Service ($25,962) and Debt Service Fund ($5,854).

Contrary to Ohio Revised Code Sections 5705.38 and 5705.41(B), budgetary expenditures exceeded appropriation authority in several funds as noted below:

3. LEGAL COMPLIANCE (Continued)

Fund	Appropriation	Expenditures	Variance
People with Disabilities Act (PDA)	$58,625	$1,273,339	$(1,214,714)
Bureau of Support	$21,387	$554,420	$(533,033)
Road & Bridge	$0	$635,558	$(635,558)
Public Assistance	$287,267	$1,882,641	$(1,595,374)
County Home	$9,613	$817,266	$(807,653)
Sheriff's Levy	$88,911	$488,070	$(399,159)
Debt Service	$0	$140,260	$(140,260)
U-Trust	$0	$7,250	$(7,250)
Rural Transit	$54,000	$647,512	$(593,512)

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, 2011, 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 $12.37 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, 2011 was $13.42 per $1000 of assessed valuation.

Real Property Tax	
Residential/Agricultural	$210,862,010
Commercial/Industrial	25,899,590
Public Utilities	413,150
Tangible Personal Property	
Public Utilities	27,057,410
Total Valuation	$264,232,160

4. PROPERTY TAX (Continued)

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

5. DEBT OBLIGATIONS

Debt Outstanding at December 31, 2011, consisted of the following:

	Principal	Interest Rate
General Obligation Bonds	$714,779	5.6-5.75%
General Obligation Note	179,556	1.5%
Ohio Public Works Commission Notes	962,870	0%
Ohio Water Development Authority Notes	282,687	1.5-3.95%
Leases	389,651	4.29
Total	$2,529,543	

The outstanding note was of the general obligation type with the Village of Cadiz Community Improvement Council for the Industrial Park water tower and Jameson Avenue repairs. The taxing authority of the County collateralized the note.

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

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

The Ohio Water Development Authority (OWDA) notes are for utility construction projects that include water quality enhancements and pollution control measures. Note proceeds were used to upgrade the Tippecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The amounts outstanding as of December 31, 2011 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, 2011, including interest, are as follows:

5. DEBT SERVICE (Continued)

Year Ending December 31	Ohio Public Works Commission	OWDA Loans	General Obligation Bonds	General Obligation Note	Leases
2012	$99,559	$27,654	$192,316	$25,000	$136,731
2013	86,062	22,384	142,149	25,000	136,731
2014	77,564	22,384	67,400	25,000	136,731
2015	76,329	22,384	67,400	25,000	4,155
2016	141,030	22,384	68,037	25,000	4,155
2017-2021	297,358	111,918	348,139	57,181	
2022-2026	169,726	82,294	26,843		
2027-2031	15,242				
Total	$962,870	$311,401	$912,284	$182,181	$418,503

6. RISK MANAGEMENT

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

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

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

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

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

6. RISK MANAGEMENT (Continued)

Health Care Insurance

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

Life Insurance

The County provides life insurance of $10,000 to each employee.

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 for the following breakdown: 83% of the total proceeds of this tax are general fund revenue to be appropriated for general operating expenses; $124,915 are Debt Service Fund revenues for the repayment of debt; $67,394.04 are government center revenues for the repayment of the government center debt; and the remaining balance of the proceeds of this tax are capital projects fund revenue to be appropriated for capital improvements. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2011 amounted to $1,469,203.

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.

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.

8. DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31, 2011, 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 2011 was 14.00 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 17.87 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2011, 2010, 2009 were $848,444, $873,856 and $912,828, respectively. One hundred percent has been contributed for 2011, 2010, 2009.

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

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

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

8. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2011, 2010 and 2009 was $20,783, $24,980 and $28,304, respectively. One hundred percent has been contributed for 2011, 2010 and 2009. No contributions were made to the DC and Combined Plan for fiscal year 2011 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 postemployment health care coverage.

In order to qualify for post-employment health care coverage, aged and service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Oho service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy-The 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 2011, 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.

9. POST EMPLOYMENT BENEFITS (Continued)

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 4.0% for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05% for 2011. 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, 2011, 2010 and 2009 were $339,377, $332,034 and $368,558, 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.

Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the fiscal years ended December 31, 2011, 2010 and 2009 were $208, $283 and $289 respectively; 100 percent has been contributed for fiscal years 2011, 2010 and 2009.

10. RESTATEMENT OF FUND BALANCES

As of January 1, 2011, 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 CIC Loan Fund, which should be reported as a special revenue fund, and had been reported as an agency fund at December 31, 2009.

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Agriculture			
Passed through Ohio Department of Job and Family Services			
State Administrative Matching Grant for Supplemental Nutrition Assistance, ARRA	10.561	JFSFFB11	$85,948
		JFSFFB12	24,366
Total Supplemental Nutrition Assistance			110,314
Total U.S. Department of Agriculture			110,314
U. S. Department of Housing and Urban Development			
Passed through the Ohio Department of Development:			
Community Development Formula Program	14.228	BF-10-1-BE-1	85,371
Community Housing Improvement Program	14.228	BC-10-1BE-1	175,293
Passed though Jefferson County, Ohio			
Neighborhool Stabilization Program - 2010 Activity	14.228	B-208-038-10408	148,000
Total U.S. Housing and Urban Development			408,664
U.S. Department of Education			
Passed through the Ohio Department of Education:			
Special Education - Preschool Grant	84.173	PG-S1-11	19,275
		PG-S1-12	3,708
Total Preschool Grant			22,983
Passed through Ohio Attorney General			
Safe and Drug Free Schools and Communities	84.186		26,977
Total U.S. Department of Education			49,960
Department of Homeland Security			
Passed Through the State Emergency Management Agency			
Emergency Management Performance Grant - 2011 Activity	97.042	2010-EP-00-0003	31,337
Emergency Management Performance Grant - 2010 Activity			23,051
Total Emergency Management Performance Grant			54,388
State Homeland Security Program- 2011 Activity	97.067	2008-GE-T8-0025	37,911
State Homeland Secruity Program - 2010 Activity			38,938
Total State HomlandSecurity Program			76,849
Total U.S. Department of Homeland Security			131,237
U. S. Department of Health and Human Services			
Passed Through the Ohio Department of Developmental Disabilities			
Social Services Block Grant - Title XX	93.667	MR-FY 11	11,577
		MR-FY 12	5,359
Total Social Services Block Grant - Title XX			16,936
ARRA - Medicaid Title XIX - Targeted Case Management	93.778	FY 11	158,418
Passed Through the Ohio Department of Job and Family Servicew			
Community Based Child Abuse	93.590	FY10	650

FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	**CFDA Number**	**Pass Through Entity Number**	**Expenditures**
Temporary Assistance for Needy Families (TANF)	93.558	FY 10	(2,544)
		FY 11	430,570
		FY 12	196,991
Total Temproary Assistance for Need Families (TANF)			625,017
Child Care Development Cluster:			
Child Care Development Block Grant Title IVA	93.575	JFSFCD11	200
		JFSFCD12	2,634
Total Child Care Development Block Grant			2,834
Child Care and Mandatory Funds of Child Care and Development Fund	93.596	JFSFCM 10	(259)
		JFSFCM 11	8,571
		JFSFCM 12	7,905
Total Child Care and Mandatory Funds of Child Care and Development Fund			16,217
Total Child Care Cluster			19,051
Social Services Block Grant Title XX	93.667	JFSFSS 11	112,351
		JFSFSS12	48,202
Total Social Services Block Grant			160,553
Medical Assistance Program Title XIX	93.778	JFSMT10	(36,080)
		JFSMT11	245,444
		JFSMT12	65,800
Total Medical Assisstance Program Title XIX			275,164
Child Support Enforcement Title IV-D	93.563		349,280
Child Support Incentive - ARRA			41,999
Total Child Support Enforcement Title IV D			391,279
Child Welfare Services	93.645		5,669
Adoption Assistance	93.659	JFSFAA11	1,022
Foster Care Title IV E	93.658	JFSFFC11	72
Total Department of Health and Human Services			1,653,831
U.S. Department of Labor			
Passed Through the Ohio Department of Labor and Family Services			
Workforce Investment Act Cluster			
Workforce Investment Act - Adult Programs	17.258	2009	88
		2010	22,732
		2011	41,700
		2012	496
Total Workforce Investment Act - Adult Programs			65,016
Workforce Investment Act - Youth Activities	17.259	2009	364
		2010	2,656
		2011	721
Total Workforce Investment Act - Youth Activities			3,741

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entitty Number	Expenditures
Workforce Investment Act - Dislocated Worker - ARRA	17.260	2009	1,932
		2010	21,978
Total Workforce Investment Act - Dislocated Worker - ARRA			23,910
Workforce Investment Act Dislocated Worker Formula	17.278	2010	1,719
			73,817
Total Workforce Investment Act Dislocated Worker Formula			75,536
Total Workforce Investment Act Cluster			168,203
Total U.S. Department of Labor			168,203
U.S. Election Assistance Commission			
Passed Through the Ohio Secretary of State			
Help America Vote Act	90.401	FY 10	405
Total U.S. Election Assistance Commission			405
U.S. Department of Justice			
Direct			
Assistance to Rural Law Enforcement-ARRA	16.810	2009-SD-B9-0174	107,848
Pass through the Ohio Department of Safety			
Edward Byrne Memorial JAG Program	16.804	2010--RA-AO2-2313	37,502
Violence Against Women Formula Grants, ARRA	16.588	2008-WF-VAVV8606	14,189
		2010WFVA28914	30,586
Total Violence Against Women Formula Grant			44,775
Passed through Ohio Attorney General			
Crime Victim Assistance Program	16.575	2011VAGENE272	24,713
Total U.S. Department of Justice			214,838
U.S. Department of Transportation			
Pass through the Ohio Department of Transportation			
Grants for Other Than Urbanized Areas - Operating	20.509	RPT-4034-031-102	6,139
		RPT-4034-031-102	230,163
		RPT-4034-031-102	94,513
Total U.S. Department of Transportation			330,815
Total Federal Awards Expenditures			$3,068,267

The accompanying notes to this schedule are an integral part of this schedule

NOTES TO THE SCHEDULE OF FEDERAL AWARD EXPENDITURES
DECEMBER 31, 2011

A. SIGNIFICANT ACCOUNTING POLICIES

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

B. CHILD NUTRITION CLUSTER

The County commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the County assumes it expends federal monies first.

C. MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The Schedule does not include the expenditure of non-Federal matching funds. The County has met its matching requirements, except that the County Board of Commissioners failed to remit mandated share monies for Public Assistance grants on a timely basis.

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Commissioners:

We have audited the financial statements of Harrison County, Ohio, (the County) as of and for the year ended December 31, 2011, and have issued our report thereon dated September 21, 2012, wherein we noted the County's financial statements do not comply with accounting principles generally accepted in the United States of America; therefore, we were unable to express an opinion on the Federal Awards Schedule. We also noted the County did not adopt Government Auditing Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* In addition, we noted that the County Treasurer issued loans to the Board of Elections and to the County Engineer, which should have been reported as expenditures of the General Fund. The balance of the loans outstanding is considered to be an investment balance and is reported as a component of the General Fund cash balance. Had these amounts been properly expended from the General Fund, the effect would have been to increase expenditures in the General Fund by $528,508 and to decrease the General Fund cash balance by ($528,508). 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining 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 certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider items 2011-06 through 2011-10 described in the accompanying schedule of findings to be material weaknesses.

Voinovich Government Center, 242 Federal Plaza W. Suite 302, Youngstown, Ohio 44503-1293
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Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2011-01 through 2011-05.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 21, 2012.

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

We intend this report solely for the information and use of management, the Board of Commissioners and federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

September 21, 2012

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Commissioners:

Compliance

We have audited the compliance of Harrison County, Ohio (the 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 directly and materially affect each of Harrison County's major federal programs for the year ended December 31, 2011. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to opine on the County's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with these requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with these requirements.

As described in findings 2011-11 and 2011-12 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applicable to its Medicaid; Temporary Assistance to Needy Families (TANF); Workforce Investment Act and Supplemental Nutrition Assistance (SNAP) programs as required. In addition, the County did not comply with matching requirements applicable to its Supplemental Nutrition Assistance and Medical Assistance programs as required. Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Harrison County, Ohio complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

The results of our auditing procedures also disclosed another instance of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings lists this instance as item 2011-13.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could directly and materially affect a major federal program, 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 opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2011-11 through 2011-13 to be material weaknesses.

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

We intend this report solely for the information and use of the audit committee, management, the Board of County Commissioners, others within the County, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

Dave Yost

Dave Yost
Auditor of State

September 21, 2012

FINANCIAL CONDITION
HARRISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	**Adverse**
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	**No**
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	**Yes**
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	**Yes**
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	**No**
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	**Qualified**
(d)(1)(vi)	**Are there any reportable findings under § .510(a)?**	**Yes**
(d)(1)(vii)	**Major Programs (list):**	**10.561** Supplemental Nutrition Assistance Grant (SNAP) **16.810** Assistance to Rural Law Enforcement **14.228** Community Development Block Grant **17.258** Workforce Investment Act Cluster **93.558** Temporary Assistance for Needy Families (TANF) **93.778** Medicaid Cluster
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	**No**

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

FINDING NUMBER 2011-01

Noncompliance 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 (GAAP). The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Failure to implement GAAP reporting could result in future opinion modifications or penalties under Ohio Revised Code Section 117.38.

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

Officials' Response:
Harrison County has neither the staff nor the funding to comply with this section.

FINDING NUMBER 2011-02

Finding for Adjustment/Noncompliance Citation

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

The County Treasurer issued the following loans to the County Engineer and to the Board of Elections. Of the amounts listed below, $429,150 loaned to the County Engineer for employee retirement buyout was approved by the County Commissioners.

County Engineer - $485,520 for employee retirement buyout
County Engineer - $25,000 for equipment related to water operations
Board of Elections - $17,988 for equipment

These loans were paid directly to various vendors on checks issued by the County Treasurer from the general operating checking account rather than the county warrant account. The loans were included in the investment balance on the County's bank reconciliation at December 31, 2011, which resulted in an overstatement of the County's cash balance at December 31, 2011. Had these amounts been properly expended from the General Fund, the effect would have been to increase expenditures in the General Fund by $528,508 and to decrease the General Fund cash balance by ($528,508).

The County should not loan money from the County Treasury to any other county department with or without interest and County warrants should be used to pay all vendors.

Officials' Response
We do not agree with this section of code, as the Governor cut funding to local government entities and told us to be creative in finding ways to increase our revenue. We found a way to save money for the engineer's office, as well as create revenue for the general fund. We feel it is a win-win situation for everyone involved. We also had the blessing of the Prosecuting Attorney.

FINDING NUMBER 2011-03

Noncompliance Citation

Ohio Revised Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed. **Ohio Revised Code Section 5705.41(B)** states that no subdivision or taxing unit is to expend money unless it has been appropriated. The Board of Commissioners passed an appropriation measure, however, some funds were not included. The following funds had expenditures which exceeded appropriations in 2011.

Fund	Appropriation	Expenditures	Variance
People with Disabilities Act (PDA)	$58,625	$1,273,339	$(1,214,714)
Bureau of Support	$21,387	$554,420	$(533,033)
Road & Bridge	$0	$635,558	$(635,558)
Public Assistance	$287,267	$1,882,641	$(1,595,374)
County Home	$9,613	$817,266	$(807,653)
Sheriff's Levy	$88,911	$488,070	$(399,159)
Debt Service	$0	$140,260	$(140,260)
U-Trust	$0	$7,250	$(7,250)
Rural Transit	$54,000	$647,512	$(593,512)

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

The County Auditor should not certify the availability of funds and should deny payment requests exceeding appropriations. The County Auditor may request that the Board of Commissioners approve increased expenditure levels by increasing appropriations and amending estimated resources, if necessary.

Officials' Response
The Commissioners are planning to pass the appropriation measure for all funds, rather than piece meal it as they have done in the past. The auditor's office thought that every appropriation was approved in the minutes, as there appropriations in all of the funds. These appropriations were given to us by the commissioner's office.

FINDING NUMBER 2011-04

Noncompliance Citation

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

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

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

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

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

The County Auditor did not certify or record the amount against the applicable appropriation accounts for 71% of tested expenditures in 2011. The County Auditor did not properly utilize the certification exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations for the full amount of the expenditure could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, the Fiscal Officer 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.

FINDING NUMBER 2011-04
(Continued)

The County Auditor should certify the full purchase amounts 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 the authorization of disbursements. The County Auditor should sign the certification prior to incurring a commitment, and only when the requirements of Ohio Revised Code Section 5705.41(D) are satisfied. The County Auditor should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Officials' Response:
We will attempt to educate the employees on making purchases and try to do a better job of using the different types of certificates.

FINDING NUMBER 2011-05

Noncompliance Citation

Ohio Revised Code Section 5705.10(H) provides that money paid into any fund shall be used for the purpose for which it was established. The following funds had deficit balances as of December 31, 2011:

Fund	Balance
Government Center	($40,285)
Magistrate	($83,866)
Clerk of Court - Computer	($31,261)
Title XX	($5,133)
Harrison Economic Development	($278,826)
Gasoline Tax	($58,072)
Emergency Management Service	($18,484)
Med Reserve	($25,962)
Debt Service	($5,854)

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

The County Commissioners should review the County's finances and formulate a plan to eliminate the deficit balances.

Officials Response:
We have brought a number of these funds out of the red. We will continued to have all of them in the black by the end of 2013.

FINDING NUMBER 2011-06

Material Weakness

The County Auditor did not correctly code and classify the following receipts and expenditures in 2011 which resulted in adjustments and reclassifications to the financial statements. The County Auditor has agreed to the adjustments and reclassifications and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the County's accounting ledgers.

FINDING NUMBER 2011-06
(Continued)

Fund Name	Account Type	Amount	Description
Reclassifications:			
General	Charges for services revenue	$114,259	Recorded as taxes.
Rural Transit	Intergovernmental revenue	$41,510	Recorded as charges for services
Gasoline Tax	Principal repayment Interest payment	$21,000 $4,878	Recorded as public works expenditures rather than debt
General	Intergovernmental	$159,736	Recorded as taxes
Sheriff Levy	Intergovernmental	$68,815	Recorded as taxes
Persons with Disabilities	Intergovernmental	$161,341	Recorded as taxes
County Home	Intergovernmental	$108,423	Recorded as taxes
Ambulance Replacement	Intergovernmental	$13,545	Recorded as taxes
Children's Services	Intergovernmental	$27,847	Recorded as taxes
Senior Center	Intergovernmental	$24,350	Recorded as taxes
Debt Service	Taxes	$124,916	Recorded as miscellaneous revenue
Harrison County Government Center	Taxes	$67,394	Recorded as miscellaneous revenue
Capital Improvement	Taxes	$52,568	Recorded as miscellaneous revenue
People with Disabilities	Charges for services	$125,866	Recorded as Intergovernmental
Emergency Management Agency	Miscellaneous revenue	$31,372	Recorded as intergovernmental
Children's Services	Intergovernmental	$121,700	Recorded as miscellaneous revenue
Road and Bridge	Charges for services	$44,565	Recorded as mscellaneous revenue.
Engineer Industrial Park	Principal repayment Interest and fiscal charges	$36,938 $562	Recorded as public safety disbursements.
Sheriff Levy	Charges for services	$20,000	Recorded as miscellaneous revenue
Sheriff's Levy	Intergovernmental	$9,384	Recorded as miscellaneous revenue

Adjustments:			
Children's Services	Intergovernmental	$46,239	Recorded as intergovernmental revenue in the Public Assistance and Juvenile Court Funds
Sheriff Levy	Charges for services	$36,266	Recorded as intergovernmental revenue in the Law Enforcement Block Grant and Nextel Rebanding Funds
Sheriff's Grants	Public safety expenditures	$15,110	Recorded in ARRA and Law Enforcement Block Grant Funds.
Law Enforcement Block Grant ARRA	Intergovernmental Intergovernmental	$21,100 $8,466	Recorded as miscellaneous revenue in Sheriff's Levy fund & inter-governmental in the Nextel Rebanding and Sheriff's Grants fund.
Issue II	Intergovernmental Capital Outlay	($54,961)	Recorded in error
Local Match	Intergovernmental	$17,220	Recorded in Rural Transit Fund.
General	Miscellaneous revenue	$94,979	Recorded in Capital Improvement Fund.

In addition, the CIC Loan Fund was adjusted from Agency Fund Type to Special Revenue Fund Type and the Housing Trust Fund was adjusted from the Special Revenue Fund Type to Agency Fund Type.

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

The County Auditor should maintain the accounting system to enable the County to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the County's chart of accounts to help ensure that financial activity of the County is accurately recorded and reported. The County Auditor should review Auditor of State Bulletin 2003-004, which provides guidance for posting the housing trust fund fees collected as a result of House Bill 95.

Officials' Response
We will add new line items and train employees to correctly classify moneys being paid in.

FINDING NUMBER 2011-07

Material Weakness

Several common practices in the County Treasurer's offices hinder the Treasurer's ability to safeguard the County's assets and to prepare accurate monthly bank to book reconciliations.

The practices referred to above include:

1. The County Treasurer deposits all checks collected to the bank daily, however, does not deposit the cash collected to the bank daily,
2. Significant amounts of cash are maintained by the County Treasurer to provide a check cashing service to employees. The cash on hand amount is not always accurately accounted for. At December 31,2011, cash on head was overstated by $7,166.

FINDING NUMBER 2011-07
(Continued)

3. Paychecks and personal checks cashed by the County Treasurer are not consistently marked as paid and these checks could be repaid.
4. The County Treasurer issues some checks for expenditures of the County rather than remitting all County payments from the County's warrant account. The expenditures paid by check are not recorded by the County Auditor.
5. Change funds and/or petty cash funds are maintained by several County departments, however, there are no controls or policies to regulate their use or a reconciliation process.
6. Balances and reconciling items used to prepare the monthly bank to book reconciliations are not supported by adequate documentation. On the reconciliation prepared for December 31, 2011, outstanding checks were overstated by $75,244 and bank balances were overstated by $26,933.
7. Interest earned on investments is not posted to the County ledgers timely; at December 31, 2011, $59,181 of interest revenue was not posted to County ledgers.
8. Revenue received as electronic fund transfers is not always posted to the County ledgers on a timely basis. At December 31, 2011, $23,296 and $26,579 was not posted to the Emergency Management Agency Fund and the People with Disabilities Fund, respectively.
9. Non sufficient fund items are not posted to the County ledgers; at December 31, 2011, $277 of non-sufficient items not recorded on the County ledgers.

The County Auditor has agreed to the adjustments presented below and these corrected amounts are reflected in the accompanying financial statements. The adjustments have been posted to the County's accounting ledgers.

Fund Name	Account Type	Amount	Description
Emergency Management Agency	Intergovernmental revenue	$23,296	The revenue received via electronic fund transfer was not posted to the County ledgers
People With Disabilities		$26,579	
General	Miscellaneous revenue	$59,181	Interest revenue was not posted to the County ledgers.
General	Miscellaneous revenue	($277)	Nonsufficient fund transactions not posted to the County ledgers.

The County Treasurer should establish specific policies and procedures to provide the framework by which County assets will be safeguarded and accurate bank to book reconciliations will be prepared. The procedures should include but not be limited to:

1. The Treasurer should establish a specific amount of cash to be maintained daily in the County vault; any cash in excess of that specified amount should be deposited to the bank daily.
2. The practice of cashing payroll and personal checks should be terminated.
3. All remittances for County expenditures should be processed through the County warrant account, rather than the Treasurer's checking account. This will ensure that all expenditures are posted to the County ledgers.
4. Change funds and petty cash funds should be established by the department management, provided by the County Treasurer, and included in the fund balances and the monthly bank to book reconciliations. The County Treasurer should establish guidelines for the cash funds, including the amounts, specified uses and methods to replenish as necessary.
5. As departments receive remittance advices for electronic fund transfers, a pay-in should be prepared timely and the revenue should be posted to the County ledgers.

FINDING NUMBER 2011-07
(Continued)

6. Accurate bank to book reconciliations should be prepared monthly. Each amount on the reconciliation should be supported adequate documentation, including the bank statements, investment statements, outstanding check lists and ledgers maintained by the County Auditor.
7. Any discrepancies noted from the reconciliation process should be documented, investigated and corrected as necessary.
8. A formal review process should be established so that each reconciliation is approved by the County Treasurer and the County Auditor and reviewed by the Board of Commissioners.

Implementation of procedures and policies to safeguard cash and to provide a process for accurate bank to book reconciliations will serve to protect the County's assets.

Officials' Response:
The new Treasurer is working towards the correction of these weaknesses.

FINDING NUMBER 2011-08

Material Weakness

The County Auditor did not accurately post to the ledger the amounts of temporary or permanent appropriations as approved by the Board of Commissioners. 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. Failure to accurately post the appropriations to the ledgers could result in overspending and negative cash balances. In addition, this could lead to inaccurate reporting of budgetary information in the financial statements.

Fund	Approved Appropriations	Appropriations Posted to Ledgers	Variance
General	$2,963,704	$3,023,277	$59,573
People with Disabilities Act	$58,625	$1,422,454	1,363,819
Bureau of Support	$21,381	$591,017	$569,636
Road & Bridge	$287,267	$550,000	$262,733
Public Assistance	$0	$2,318,600	$2,318,600
County Home	$0	$1,006,918	$1,006,918
Sheriff Levy	$87,198	$484,298	$397,100
Permanent Improvement	$196,198	$1,006,918	$810,720
Rural Transit	$54,000	$658,301	$604,301

To effectively control the budgetary cycle and to maintain accountability over county expenditures, the County Auditor should accurately post approved amounts to the appropriations ledger on a timely basis.

Official's Response:
The Auditor's office posted all appropriations to the ledgers that were received from the commissioners' office. The problems lie in posting the appropriations to the commissioners' minutes, of which we have no control.

FINDING NUMBER 2011-09

Material Weakness

Due to cash constraints and to avoid making an illegal transfer, a warrant was issued to the County Treasurer on September 7, 2011,in the amount of $54,000 to move monies from the Capital Revenue Fund a Capital Project fund type, to the Harrison County Rural Transit Fund, an Enterprise fund type. The purpose of the unapproved transaction was to fund the Rural Transit program, as the program had incurred increased expenses, mainly due to increases in fuel costs. Moving money in this way and without approval increases the risk of fraud and the use of public money not for proper public purpose.

The following adjustment to negate the transaction described above was agreed to by the County auditor and is reflected in the accompanying financial statements. The adjustment has been posted to the County's accounting records.

Fund	Account	Amount
Harrison County Rural Transit	Charges for services	($54,000)
Capital Revenue	Capital outlay expenditures	($54,000)

The County should discontinue the practice of issuing warrants for this purpose. The County Commissioners, the County Auditor and the County Treasurer should review Ohio Revised Code Sections 5705.14 - .16 regarding allowable transfers of funds, and the appropriate steps necessary to complete the transactions. Assuring that interfund transfers are completed according to Ohio Revised Code will safeguard County assets.

Officials' Response
We will attempt to watch the movement of money between funds.

FINDING NUMBER 2011-10

Material Weakness

Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and the Governmental Fund Type Definitions* establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as the fund balance associated with inventories. The Statement also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Additionally, Auditor of State Bulletin 2011-004 requires local governments preparing regulatory statements to implement both the new fund balance classifications and the governmental fund type definitions, as stated in GASB 54. The County should ensure that GASB 54 is implemented and reflected in their financial statements.

Officials' Response:
Harrison County has neither the staff nor the funding to comply with this section.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2011-11
CFDA Title and Number	93.778 Medicaid 93.558 Temporary Assistance for Needy Families (TANF) 17.258 Workforce Investment Act (WIA) 10.561 Supplemental Nutrition Assistance Program (SNAP)
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Health and Human Services U.S. Department of Labor U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Job and Services

Noncompliance Citation/Material Weakness

2 CFR. 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. The timing and the amount of cash advances shall be as close as is administratively feasible to the actual disbursements The Ohio Department of Job and Family Services has a ten-day disbursement cycle.

Of the twelve advance drawdowns tested for the Temporary Assistance for Needy Families TANF), Medicaid and Supplemental Nutrition Assistance Program (SNAP) programs, seven drawdowns were not spent in accordance with cash management requirements. Of the twelve advance drawdowns tested for the Workforce Investment Act programs, five were not spent in accordance with cash management requirements.

The County should maintain written procedures that minimize the time lapsing between the transfer of funds and their disbursement. Financial management systems should meet the standards for fund control and accountability.

Officials' Response:
Procedures will be written and implemented for 2013, since it is too late for this year.

Finding Number	2011-12
CFDA Title and Number	10.561 Supplemental Nutrition Assistance Program (SNAP) 93.778 Medical Assistance Program
Federal Award Number / Year	JFSFFB-11, 12 JFSMT-10,11.12
Federal Agency	U.S. Department of Agriculture U.S. Department of Health & Human Services
Pass-Through Agency	Ohio Department of Job & Family Services

FINDING NUMBER 2011-12
(Continued)

Noncompliance Citation/Material Weakness

42 CFR 433.15 (a) states Section 1903(a) (2) through (5) and (7) of the Social Security Act provide for payments to States, on the basis of specified percentages, for part of their expenditures for administration of an approved State plan.

The public assistance programs have a matching requirement with matching rates established by the federal government effective each October 1st.

45 CFR 74.23 for cost sharing or matching states:

To be accepted, all cost sharing or matching contributions, including cash and third party in-kind, shall meet all of the following criteria:

1. Are verifiable from the recipient's records;
2. Are not included as contributions for any other federally-assisted project or program;
3. Are necessary and reasonable for proper and efficient accomplishment of project or program objectives;
4. Are allowable under the applicable cost principles;
5. Are not paid by the Federal Government under another award, except where authorized by Federal statute to be used for cost sharing or matching;
6. Are provided for in the approved budget; and
7. Conform to other provisions of this part, as applicable.

The Ohio Department of Job and Family Services (ODJFS) pass funding for the programs through to the County Department of Job and Family Services (CDJFS). As part of the Subgrant Agreement between ODJFS and CDJFS, Article III, Section F, states the subgrantee agrees to “provide and ensure the existence of local non-federal funds for the purpose of matching any federal funding for allowable operating expenses incurred by Subgrantee.”

Per Ohio Rev. Code Section 5101.16 (B) each board of county commissioners shall pay the county share of public assistance expenditures in accordance with section 5101.161 of the Revised Code.

ODJFS outlines the requirements of the county’s share of public assistance programs in Ohio Administrative Code 5101:9-6-31. Sections (A), (B) and (I), in part, are as follows:

(A) Each board of county commissioners is required by section 5101.16 of the Revised Code to pay the county share of public assistance (PA) net expenditures

(B) The Ohio department of job and family services (ODJFS) shall certify to the county board of commissioners of each county the amount required in the following state fiscal year (SFY) to meet the county share of PA expenditures as determined in paragraph (C) of this rule. This amount is the “mandated share.”

(I) As required by section 5101.16 of the Revised Code, the board of county commissioners will transfer each month an amount equal to or greater than the sum of one-twelfth of the amount of funds certified as the mandated county share of PA expenditures for that SFY to the county PA fund. The one-twelfth mandated county share of PA expenditures amount is identified in the state reporting system. If the transfer schedule includes an amount other than one-twelfth per month, the aggregate amount transferred for the SFY must equal the county mandated share.

The Harrison County Board of County Commissioners failed to remit mandated share monies for the Public Assistance Grants as required. The County was in arrears as of December 31, 2011 by $133,228 owed to the Public Assistance Fund. Failure to comply with the mandated share requirements resulted in a violation of the matching requirements set forth by 45 CFR 74.23 as noted above.

FINDING NUMBER 2011-12
(Continued)

Adjustments were agreed to and are included in the attached financial statements. The adjustments resulted in the Harrison County Board of County Commissioners being current in remitting mandated share monies as of December 31, 2011.

The Harrison County Board of County Commissioners should transfer each month an amount equal to or greater than the sum of one-twelfth of the amount of funds certified as the mandated county share of Public Assistance expenditures for that State fiscal year to the County Department of Job and Family Services. This will help ensure proper reporting and compliance with matching and mandate share requirements.

Official's Response:
This finding has been taken care of for calendar year 2012 and we are now on a monthly transfer schedule for the mandated share.

Finding Number	2011-13
CFDA Title and Number	10.561 Supplemental Nutrition Assistance Program (SNAP) 93.778 Medical Assistance Program
Federal Award Number / Year	JFSFFB-11, 12 JFSMT-10,11.12
Federal Agency	U.S. Department of Agriculture U.S. Department of Health & Human Services
Pass-Through Agency	Ohio Department of Job & Family Services

Noncompliance Citation/Material Weakness

OMB Circular A-87/2 CFR 225 establishes allowable cost guidelines and limitations for federal awards expenditures. Federal monies are to be expended in conjunction with mandated share/local share funds for allowable costs as outlined by these federal guidelines. As a result of Finding Number 2011-12 for violation of the matching and mandated share requirements, expenditures made from the Public Assistance grant funds in excess of the federal funds received for designated grants were unallowable. However, as noted in the second to the last paragraph of Finding Number 2011-12, the amount of the mandated share due to the County Department of Job and Family Services was adjusted on June 7, 2012.

The Harrison County Board of County Commissioners should transfer each month an amount equal to or greater than the sum of one-twelfth of the amount of funds certified as the mandated county share of Public Assistance expenditures for that State fiscal year to the County Department Job and Family Services. This will help ensure proper reporting and compliance with matching and mandate share requirements.

Officials' Response:
Problem solved.

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FINANCIAL CONDITION
HARRISON COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2011

Finding Number	**Finding Summary**	**Fully Corrected?**	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
Finding 2010-001	Ohio Administrative Code Section 11-2-03(B): failure to file GAAP statement	No	Reissued as Finding 2011-01
Finding 2010-002	Ohio Revised Code Section 5704.41 (B): expenditures exceeded appropriations	No	Reissued as Finding 2011-03
Finding 2010-003	Ohio Revised Code Section 5705.39	Yes	
Finding 2010-004	Ohio Revised Code Section 5705.41(D): failure to certify expenditures	No	Reissued as Finding 2011-04
Finding 2010-005	Ohio Revised Code Section 5705.10: deficit fund balances	No	Reissued as Finding 2011-05
Finding 2010-006	Ohio Administrative Code Section 117-2-02(C)(1): failure to correctly post appropriations to ledgers	No	Reissued as Finding 2011-08
Finding 2010-007	Ohio Administrative Code Section 117-2-02, failure to correctly post receipts and expenditures	No	Reissued as Finding 2011-06
Finding 2010-008	Material Weakness – Failure to properly classify fund	No	Reissued as Finding 2011-06
Finding 2010-009	2 CFR Section 215.22 (D)(2): cash management requirements for WIA	No	Reissued as Finding 2011-11

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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
JANUARY 17, 2013

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