



Dave Yost • Auditor of State



**FINANCIAL CONDITION  
HARRISON COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

Harrison County  
100 West Market Street  
Cadiz, Ohio 43907

To the Board of County Commissioners:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Harrison County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the accounting principles generally accepted in the United States of America. This responsibility includes the designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the County prepared these financial statements using a regulatory accounting basis. However, Ohio Administrative Code Section 117-2-03 requires these statements to follow accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumably material.

***Adverse Opinion***

In our opinion, because of the matter described in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements do not present fairly the financial position, results of operation, and cash flows, where applicable, of Harrison County, Ohio, as of and for the year ended December 31, 2012 in accordance with accounting principles generally accepted in the United states of America.

***Basis for Additional Opinion Qualification***

The County failed to adopt the provisions of Governmental Accounting Standards Board Statement No.54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as mandated by Auditor of State Bulletin 2011-004. The County elected not to adopt GASB 54.

***Additional Opinion Qualification***

In our opinion, because of the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements 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 54.

***Basis for Additional Opinion Qualification***

In prior years, the County Treasurer issued loans to the County Engineer and the Board of Elections. During 2012, the County Treasurer issued additional loans to the County Engineer and County Commissioners in the amounts of \$138,051 and \$190,090, respectively. Ohio Rev. Code Section 321.23 provides 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 \$328,141 and to decrease the General Fund cash balance by (\$328,141).

As of December 31, 2012, the total outstanding loan balances are in the amount of \$554,007 and \$105,317 for the County Engineer and County Commissioners, respectively. Had these amounts been properly expended from the General Fund it would decrease the General Fund cash balance by the aggregate amount of (\$659,324).

***Additional Opinion Qualification***

In our opinion, because of the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements do not present fairly, in all material respects, the fund cash balance of the General Fund of Harrison County as of December 31, 2012, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1B describes.

***Basis for Additional Opinion Qualification***

The Harrison County Rural Transit had established a Capital Projects Fund, the T45 Local Match Fund, in a prior year. However, the County failed to approve a resolution or ordinance establishing the fund. The Harrison County Rural Transit utilized the Local Match Fund for capital outlay expenditures, along with operating expenditures in 2012. Section 5705.13(C) of the Revised Code permits a taxing authority, by resolution or ordinance, to establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. As the fund is not being utilized solely for the accumulation of funds for the acquisition of a capital asset and a resolution or ordinance has not been identified, the fund balance should be returned to the B55 Rural Transit Enterprise Fund. Had this activity been properly reflected in the B55 Rural Transit Enterprise Fund, the effect would have been to decrease the fund cash balance of the T45 Local Match Capital Projects Fund by \$41,298 and increase the fund cash balance of the B55 Rural Transit Enterprise Fund by \$41,298 as of and for the year ended December 31, 2012.

***Additional Opinion Qualification***

In our opinion, because of the possible effects of the matter described in the *Basis for Additional Opinion Qualification* paragraph, the financial statements do not present fairly, in all material respects, the fund cash balance of the Capital Projects Fund Type and Enterprise Fund Type of Harrison County as of December 31, 2012, and its cash receipts and disbursements for the year then ended on the accounting basis Note 1B describes.

***Other Matters***

*Required Supplementary Information*

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

*Supplementary Information*

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

The Federal Awards Expenditures Schedule (the Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the financial statements. We subjected this Schedule to the auditing procedures we applied to the financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. For the reason stated in the *Basis of Adverse Opinion on U.S. Generally Accepted Accounting Principles* 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, 2012, or its changes in financial position or its cash flows for the year then ended. Therefore, we are unable to express, and we do not express, an opinion on the Federal Awards Expenditures Schedule.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2013, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.

That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013



**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, 2012**

	<u>Governmental Fund Types</u>					<b>Totals (Memorandum Only)</b>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	
<b>Cash Receipts:</b>						
Property and Local Taxes	\$ 2,268,950	\$ 1,899,794	\$ 124,915	\$ 180,909	\$	\$ 4,474,568
Intergovernmental	557,361	7,719,395		222,388		8,499,144
Special Assessments		13,372				13,372
Charges for Services	1,019,023	3,567,304				4,586,327
Licenses and Permits	4,824					4,824
Fines and Forfeitures	89,834	55,016				144,850
Miscellaneous	702,360	850,988		70,000	16,481	1,639,829
<b>Total Cash Receipts</b>	<b>4,642,352</b>	<b>14,105,869</b>	<b>124,915</b>	<b>473,297</b>	<b>16,481</b>	<b>19,362,914</b>
<b>Cash Disbursements:</b>						
General Government:						
Legislative and Executive	1,783,250	858,047				2,641,297
Judicial	598,329	1,540,143				2,138,472
Public Safety	580,702	4,352,030				4,932,732
Public Works	4,932	1,069,730				1,074,662
Health		67,796				67,796
Human Services	118,030	4,791,606				4,909,636
Miscellaneous		17,181				17,181
Capital Outlay		2,637		678,861		681,498
Debt Service:						
Redemption of Note Principal		371,825	84,774		23,397	479,996
Interest and Fiscal Charges		80,260	6,961		1,602	88,823
<b>Total Cash Disbursements</b>	<b>3,085,243</b>	<b>13,151,255</b>	<b>91,735</b>	<b>678,861</b>	<b>24,999</b>	<b>17,032,093</b>
<b>Total Cash Receipts Over/(Under) Cash Disbursements</b>	<b>1,557,109</b>	<b>954,614</b>	<b>33,180</b>	<b>(205,564)</b>	<b>(8,518)</b>	<b>2,330,821</b>
<b>Other Financing Receipts / (Disbursements):</b>						
Transfers-In		556,404				556,404
Transfers-Out	(510,602)					(510,602)
Advances-In		5,000				5,000
Advances-Out	(5,000)					(5,000)
Other Financing Sources	105,287	13,250				118,537
<b>Total Other Financing Receipts / (Disbursements)</b>	<b>(410,315)</b>	<b>574,654</b>				<b>164,339</b>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	1,146,794	1,529,268	33,180	(205,564)	(8,518)	2,495,160
Fund Cash Balances, January 1 - Restated - See Note 10	324,578	2,762,504	(5,854)	336,867	253,499	3,671,594
<b>Fund Cash Balances, December 31</b>	<b>\$ 1,471,372</b>	<b>\$ 4,291,772</b>	<b>\$ 27,326</b>	<b>\$ 131,303</b>	<b>\$ 244,981</b>	<b>\$ 6,166,754</b>

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, 2012**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Types</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$ 437,172	\$	\$ 437,172
Total Operating Cash Receipts	<u>437,172</u>		<u>437,172</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	<u>793,998</u>		<u>793,998</u>
Total Operating Cash Disbursements	<u>793,998</u>		<u>793,998</u>
Operating Income (Loss)	<u>(356,826)</u>		<u>(356,826)</u>
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental	327,724		327,724
Other Non-Operating Cash Receipts		<u>28,648,149</u>	<u>28,648,149</u>
Total Non-Operating Cash Receipts	<u>327,724</u>	<u>28,648,149</u>	<u>28,975,873</u>
<b>Non-Operating Cash Disbursements:</b>			
Redemption of Principal	42,941		42,941
Interest and Other Fiscal Charges	4,650		4,650
Other Non-Operating Cash Disbursements		<u>28,614,468</u>	<u>28,614,468</u>
Total Non-Operating Cash Disbursements	<u>47,591</u>	<u>28,614,468</u>	<u>28,662,059</u>
<i>Income (Loss) before Transfers</i>	(76,693)	33,681	(43,012)
Transfers Out		<u>(45,802)</u>	<u>(45,802)</u>
<i>Net Change in Fund Cash Balances</i>	(76,693)	(12,121)	(88,814)
Fund Cash Balances, January 1	<u>(447)</u>	<u>1,399,157</u>	<u>1,398,710</u>
<b>Fund Cash Balances, December 31</b>	<b><u><u>\$ (77,140)</u></u></b>	<b><u><u>\$ 1,387,036</u></u></b>	<b><u><u>\$ 1,309,896</u></u></b>

*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, 2012**

<u>Fund Types/Funds</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Governmental Fund Type</b>			
General	\$ 3,697,339	\$ 4,747,639	\$ 1,050,300
Special Revenue	12,511,191	14,680,523	2,169,332
Debt Service	125,000	124,915	(85)
Capital Projects	491,000	473,297	(17,703)
Permanent	8,000	16,481	8,481
<b>Proprietary Fund Type</b>			
Enterprise	<u>811,000</u>	<u>764,896</u>	<u>(46,104)</u>
<b>Totals</b>	<u><u>\$ 17,643,530</u></u>	<u><u>\$ 20,807,751</u></u>	<u><u>\$ 3,164,221</u></u>

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
BUDGET AND ACTUAL COMPARED WITH EXPENDITURE AUTHORITY  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Fund Types/Funds	Prior Year Carryover Appropriations	2012 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding 12/31/2012	Totals	Variance
<b>Governmental Fund Type</b>							
General	\$ 19,159	\$ 3,876,226	\$ 3,895,385	\$ (3,600,845)	\$	\$ (3,600,845)	294,540
Special Revenue	568,702	15,019,227	15,587,929	(13,151,255)		(13,151,255)	2,436,674
Debt Service				(91,735)		(91,735)	(91,735)
Capital Projects	31,000	566,284	597,284	(678,861)		(678,861)	(81,577)
Permanent		127,696	127,696	(24,999)		(24,999)	102,697
<b>Proprietary Fund Type</b>							
Enterprise	167	936,171	936,338	(841,589)		(841,589)	94,749
<b>Totals</b>	<u>\$ 619,028</u>	<u>\$ 20,525,604</u>	<u>\$ 21,144,632</u>	<u>\$ (18,389,284)</u>	<u>\$</u>	<u>\$ (18,389,284)</u>	<u>\$ 2,755,348</u>

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**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 included in this report represent all of the funds, agencies, boards, commissions, and departments of the County over which the County has the ability to exercise direct operational control.

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

**B. Accounting Basis**

Although required by Ohio Administrative Code 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 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 accounting described in the preceding paragraph.

**C. Deposits and Investments**

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**C. Deposits and Investments (Continued)**

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

**D. Fund Accounting**

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

**1. Governmental Fund Types:**

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

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

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

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

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

**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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting (Continued)**

**3. Fiduciary Funds**

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

**E. Budgetary Process**

**1. Budget**

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

**2. Estimated Resources**

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2012 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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**1. Summary of Significant Accounting Policies (Continued)**

**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**

Monies held by the County are classified by State Statute into two categories, active and inactive. Active monies are public monies determined to be necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution. Huntington Bank and PNC Bank are the financial institutions for Harrison County.

Monies held by the County, which are not considered active, are classified as inactive. Inactive monies may be deposited or invested in the following securities provided a written investment policy has been filed with the Ohio Auditor of State:

1. United States Treasury Bills, Notes, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero-coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities entered into by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) above, and repurchase agreements secured by such obligations, provided that these investments are made only through eligible institutions;
7. The State Treasurer's investment pool (STAROhio);



**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange similar securities or cash, equal value for equal value;
9. Up to twenty-five percent of the County's average portfolio in either of the following:
  - a. Commercial paper notes in entities incorporated under the laws of Ohio or any other State that have assets exceeding five hundred million dollars rated at the time of purchase, which are rated in the highest qualification established by two nationally recognized standard rating services, which do not exceed ten percent of the value of the outstanding commercial paper of the issuing corporation and which mature within 270 days after purchase;
  - b. Bankers acceptances eligible for purchase by the federal reserve system and which mature within 180 days after purchase;
10. Fifteen percent of the County's average portfolio in notes issued by U.S. corporations or by depository institutions that are doing business under authority granted by the U.S. provided that the notes are rated in the second highest or higher category by at least two nationally recognized standard rating services at the time of purchase and the notes mature within two years from the date of purchase;
11. No-load money market mutual funds rated in the highest category at the time of purchase by at least one nationally recognized standard rating service consisting exclusively of obligations guaranteed by the United States, securities issued by a federal government agency or instrumentality, and/or highly rated commercial paper;
12. One percent of the County's average portfolio in debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government.

Repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Other than corporate notes, commercial paper, and bankers' acceptances, an investment must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments must be purchased with the expectation that they will be held to maturity. Investments may only be made through specified dealers and institutions.

Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**2. Equity in Pooled Deposits and Investments (Continued)**

**Deposits:**

Custodial credit risk is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are the possession of an outside party. At year ended December 31, 2012, \$2,220,758 of the County's bank balance of \$7,318,220 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

For purposes of this note presentation, the County had no qualifying investments as defined by the Governmental Accounting Standards Board (GASB).

**3. Legal Compliance**

Ohio Admin. Code 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 Rev. Code Section 321.23, the County Treasurer issued loans to the Board of Commissioners and County Engineer. In addition, contrary to Ohio Revised Code Section 5705.10(H), the County had fourteen deficit fund balances at December 31, 2012 as follows: Government Center Fund (\$5,965); Magistrate Fund (\$11,846); Light Program Fund (\$202); Harrison Economic Development Fund (\$277,886); Prosecutor DTAC Fund (\$172); Gasoline Tax Fund (\$245,356); Community Housing Improvement Program Fund (\$10,000); American Reinvestment and Recovery Act Fund (\$3,556); Violence Against Women Act Fund (\$9,235); Emergency Management Services Fund (\$6,053); Med Reserve Fund (\$45,251); Rural Transit Fund (\$80,941); 2<sup>nd</sup> Half Real Estate Tax Fund (\$48,220) and Trailer Tax Fund (\$1,738).

Contrary to Ohio Rev. Code Sections 5705.38 and 5705.41(B), budgetary expenditures exceeded appropriation authority as noted below:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Debt Service	\$0	\$91,735	(\$91,735)
Capital Projects	\$597,284	\$678,861	(\$81,577)

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**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 2011.

Real property taxes become a lien on all non-exempt real property located in the county on January 1. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20 of the following year. Under certain circumstances, state statute permits later payment dates to be established.

The full tax rate applied to real property for the fiscal year ended December 31, 2012, was \$13.42 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective rate was \$9.98 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$12.69 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

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, 2012 was \$13.42 per \$1,000 of assessed valuation.

The assessed values of real and tangible personal property upon which 2012 property tax receipts were based are as follows:

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

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**5. Debt Obligations**

Debt outstanding at December 31, 2012, consisted of the following:

	<u>Principal</u>	<u>Interest Rate</u>
General Obligation Bonds	\$482,567	5.6-5.75%
General Obligation Notes	141,112	1.5%-3%
Ohio Public Works Commission Loans	863,496	0%
Ohio Water Development Authority Loans	459,052	1.5-3.95%
Leases	324,432	4.29%
Total	<u>\$2,270,659</u>	

There were 2 outstanding notes. One note was of the general obligation type with the Village of Cadiz Community Improvement Council for the Industrial Park water tower and Jameson Avenue repairs. The taxing authority of the County collateralizes the note. The other note was a State Infrastructure Bank Loan made to the County by the Ohio Department of Transportation (ODOT) for the reconstruction of County Road 29. This loan is secured by gasoline tax monies received by the County.

The proceeds of the outstanding general obligation bonds were used for the renovation and improvement of the new government center building, the human services building, construction of a county garage, and purchase of road equipment. General obligation bonds are direct obligations of the County for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the County.

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

The Ohio Water Development Authority (OWDA) loans are for utility construction projects that include water quality enhancements and pollution control measures. Loan proceeds were used to upgrade the Tippecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The amounts outstanding as of December 31, 2012 are expected to be repaid from charges for services collected. The County has set water rates sufficient to cover OWDA debt service requirements.

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

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest, are as follows:

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**5. Debt Obligations (Continued)**

Year ending December 31:	Ohio Public Works Commission	OWDA Loans	General Obligation Bonds	General Obligation Notes	Leases
2013	\$86,244	\$48,431	\$67,400	\$37,401	\$158,472
2014	77,565	48,431	67,400	37,401	158,472
2015	76,330	48,431	67,400	37,401	25,571
2016	76,330	48,431	67,400	29,508	
2017	76,330	48,431	67,400	6,201	
2018-2022	354,304	229,163	286,372		
2023-2027	114,973	57,790			
2028-2032	1,239				
Total	<u>\$863,315</u>	<u>\$529,108</u>	<u>\$623,372</u>	<u>\$147,912</u>	<u>\$342,515</u>

**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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**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 is provided 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 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 2012 amounted to \$1,817,586.

**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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**8. Defined Benefit Pension Plan (Continued)**

**Ohio Public Employees Retirement System (Continued)**

For the year ended December 31, 2012, 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 2012 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, 2012, 2011, and 2010 were \$883,504, \$848,444, and \$873,856. One hundred percent has been contributed for 2012, 2011, and 2010.

**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](http://www.strsoh.org).

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

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

The Ohio Revised Code provides statutory authority for County and employee contributions of 14% and 10%, respectively. The contribution requirements of plan members and the County are established and may be amended by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**8. Defined Benefit Pension Plan (Continued)**

**State Teachers Retirement System (Continued)**

The County's contribution to the STRS of Ohio for the years ended December 31, 2012, 2011 and 2010 was \$15,374, \$20,783, and \$24,980, respectively. 100% of has been contributed for 2012, 2011 and 2010. No contributions were made to the DC and Combined Plan for fiscal year 2012 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 Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefits is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

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

Funding Policy-The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401 (h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contributions to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2012, 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.



**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2012  
(Continued)**

**9. Post-Employment Benefits (Continued)**

**Ohio Public Employees Retirement System (Continued)**

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. The portion of employer contributions allocated to health care for members of the Traditional Plan was 4.0 percent for 2012. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.06 percent for 2012. Effective January 1, 2013, the portion of employer contributions allocated to the healthcare was lowered to 1 percent for both plans, as recommended by the OPERS actuary.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The County's contributions for health care to the OPERS for the years ending December 31, 2012, 2011, and 2010 were \$35,340, \$44,035, and 32,034, respectively, which were equal to the required contributions for each year.

**State Teachers Retirement System (STRS)**

Plan Description – The County participate in the cost-sharing multiple-employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Ohio law authorized STRS to offer this plan. Benefits include hospitalization physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888)227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Health care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2012, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to post-employment health care. The County's contributions for health care for the fiscal years end December 31, 2012, 2011 and 2010 were \$1,098, 2,208 and 2,880.

**10. Restatement of Fund Balances**

As of January 1, 2012, the Special Revenue Fund balance was decreased by \$37,425, which changed the beginning balance to \$2,762,504 and increased the beginning General Fund balance by \$37,425 to \$324,578. This was due to the elimination of the Bi-Centennial Bell Fund.

**11. Contingent Liabilities**

The County is defendant in several lawsuits. Although management cannot presently determine the outcome of these suits, management believes that the resolution of these matters will not materially adversely affect the County's financial condition. Amounts grantor agencies pay to the county are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

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**FINANCIAL CONDITION  
HARRISON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
<i>Passed Through Ohio Department of Job and Family Services</i>			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	JFSFFB12 JFSFFB13 JFSFF112 JFSFF113	\$ 122,305 24,696 4,697 2,600
Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program			<u>154,298</u>
Total U.S. Department of Agriculture			154,298
<b>U. S. Department of Housing and Urban Development</b>			
<i>Passed Through the Ohio Department of Development</i>			
Community Development Block Grants-State's Program	14.228	BF-10-1-BE-1 BF-11-1BE-1 BC-10-1BE-1	2,629 81,000 324,707
Community Housing Improvement Program			<u>324,707</u>
Total Community Development Block Grants-State's Program			<u>408,336</u>
Total U.S. Department of Housing and Urban Development			408,336
<b>U.S. Department of Education</b>			
<i>Passed through the Ohio Department of Education</i>			
Special Education - Preschool Grants (IDEA Preschool)	84.173		<u>14,449</u>
Total U.S. Department of Education			14,449
<b>U.S. Department of Homeland Security</b>			
<i>Passed Through the State Emergency Management Agency</i>			
Emergency Management Performance Grant	97.042	EMW-2011-EP-003-S01 EMW-2012-EP-0004-S01	24,178 16,526 <u>40,704</u>
Total Emergency Management Performance Grant			<u>40,704</u>
State Homeland Security Program	97.067	2009-SS-T9-0089 2010-SS-T0-0012 EMW-2011-SS-00070	38,252 36,087 19,288 <u>93,627</u>
Total State Homeland Security Program			<u>93,627</u>
<i>Pass Through the Ohio Department of Public Safety</i>			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		<u>9,873</u>
Total U.S. Department of Homeland Security			144,204
<b>U. S. Department of Health and Human Services</b>			
<i>Passed Through the Ohio Department of Developmental Disabilities</i>			
Social Services Block Grant - Title XX	93.667		883
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Temporary Assistance for Needy Families (TANF)	93.558	JFSFTF10 JFSFTF12 JFSFTF13 JFSFTF12 JFSFTF13 JFSFTF12	(3,419) 178,407 98,785 184,563 64,024 39,607 <u>561,967</u>
Administration			
Regular			
Summer Youth			
Total TANF			<u>561,967</u>

**FINANCIAL CONDITION  
HARRISON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
<b>U. S. Department of Health and Human Services (Continued)</b>			
<i>Passed Through the Ohio Department of Job and Family Services (Continued)</i>			
Child Care Development Cluster:			
Child Care and Development Block Grant	93.575	JFSFCD12	\$ 5,768
Non-Admin		JFSFCD12	11,553
		JFSFCD13	7,799
		JFSCM12	(7,905)
Total Child Care Development Block Grant			<u>17,215</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	JFSFCM 10	<u>(220)</u>
Total Child Care Development Cluster			16,995
Promoting Safe and Stable Families	93.556	JFSFMC12	37
		JFSFMC13	500
		JFSFMC13	385
ESAA Preservation Operating		JFSFPF12	1,422
		JFSFPF13	500
ESAA Reunification Operating		JFSFPF12	1,246
		JFSFPF13	500
Total Promoting Safe and Stable Families			<u>4,590</u>
Social Services Block Grant	93.667	G-1011-11-5006	
Base		JFSFSS12	63,099
		JFSFSS13	41,194
Transfer		JFSFTX12	3,721
		JFSFTX13	1,001
Total Social Services Block Grant			<u>109,015</u>
Medical Assistance Program	93.778		
Medicaid 50%		JFSFMT12	82,316
		JFSFMT13	19,496
Healthcheck Pass Thru		JFSFMT12	8,568
		JFSFMT13	2,200
NET		JFSFMT12	124,023
		JFSFMT13	48,965
Pregnancy Related Services / Transportation		JFSFMT12	2,995
		JFSFMT13	1,494
Refunds / Collections		JFSFMP10	(11,832)
		JFSFMP11	(5,084)
		JFSFMP13	(5,499)
Total Medical Assistance Program			<u>267,642</u>
Child Support Enforcement	93.563	JFSFCS12	272,824
		JFSFCS13	91,124
Total Child Support Enforcement Title IV D			<u>363,948</u>
Stephanie Tubbs Jones Child Welfare Services Program	93.645	JFSFCW12	19,041
		JFSFCW13	10,000
Total Stephanie Tubbs Jones Child Welfare Services Program			<u>29,041</u>
Adoption Assistance	93.659	JFSFAA12	7,996
		JFSFAA13	7,580
Payment		JFSFAA12	(4,141)
Total Adoption Assistance			<u>11,435</u>
Foster Care Title IV E	93.658	JFSFFC12	10,788
Training		JFSFFC13	12,496
Payment		JFSFFC12	(4,141)
Total Foster Care Title IV E			<u>19,143</u>

**FINANCIAL CONDITION  
HARRISON COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012  
(Continued)**

<b>Federal Grantor/ Pass Through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass Through Entity Number</b>	<b>Expenditure</b>
<b>U. S. Department of Health and Human Services (Continued)</b>			
<i>Passed Through the Ohio Secretary of State</i>			
Voting Access for Individuals with Disabilities-Grants to States	93.617		4,009 320 2,316 360
Total Voting Access for Individuals with Disabilities-Grants to States			<u>7,005</u>
Total U.S. Department of Health and Human Services			1,391,664
<b>U.S. Department of Labor</b>			
<i>Passed Through Workforce Investment Act Area 16</i>			
Workforce Investment Act Cluster:			
WIA Adult Programs	17.258	AF2-529204 800-529205	\$ 30,218 41,691
Total WIA Adult Programs			<u>71,909</u>
WIA Youth Activities	17.259		10,464
Rapid Response	17.278		9,700
WIA Dislocated Worker Formula	17.278		72,894
Total Workforce Investment Act Cluster			<u>164,967</u>
WIA National Emergency Grants	17.277		<u>5,399</u>
Total U.S. Department of Labor			170,366
<b>U.S. Department of Justice</b>			
<i>Direct from Federal Government</i>			
ARRA-Assistance to Rural Law Enforcement to Combat Crime and Drugs			
Competitive Grant Program, Recovery Act	16.810	2009-sd-B9-0174	119,428
<i>Pass Through the Ohio Department of Public Safety</i>			
ARRA-Violence Against Women Formula Grants, Recovery Act	16.588	2011WFVA28914	27,933
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-JG-LLE-5866	<u>16,425</u>
Total U.S. Department of Justice			163,786
<b>U.S. Department of Transportation</b>			
<i>Pass Through the Ohio Department of Transportation</i>			
Formula Grants for Other Than Urbanized Areas	20.509	RPT-4034-032-121 RPT-0034-032-122 RPT-0034-032-122 RPT-4034-031-111 RPT-0034-031-112	221,864 33,784 36,854 18,210 3,659
Total Formula Grants for Other Than Urbanized Areas			<u>314,371</u>
Federal Transit - Formula Grants	20.507	SUA-0034-072-121	<u>11,866</u>
Total U.S. Department of Transportation			<u>326,237</u>
<b>Total Federal Awards Expenditures</b>			<b><u>\$ 2,773,340</u></b>

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

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**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**A. SIGNIFICANT ACCOUNTING POLICIES**

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

**B. MATCHING REQUIREMENTS**

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County failed to meet its matching requirements for the Formula Grants for Other Than Urbanized Areas obtained for the Rural Transit program. The Schedule does not include the expenditure of non-Federal matching funds.

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# Dave Yost • Auditor of State

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

Harrison County  
100 West Market Street  
Cadiz, Ohio 43907

To the Board of Commissioners:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of Harrison County, Ohio (the County), as of and for the year ended December 31, 2012, and the related notes to the financial statements, and have issued our report thereon dated November 4, 2013, 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 Expenditures 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 in prior years, the County Treasurer issued loans to the County Engineer and the Board of Elections which should have been reported as expenditures of the General Fund. During 2012, the County Treasurer issued additional loans to the County Engineer and County Commissioners in the amounts of \$138,051 and \$190,090, respectively. 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. As of December 31, 2012, the total outstanding loan balances are in the amount of \$554,007 and \$105,317 for the County Engineer and County Commissioners, respectively. Had these amounts been properly expended from the General Fund it would decrease the General Fund cash balance by the aggregate amount of (\$659,324). We also noted, The Harrison County Rural Transit had established a Capital Projects Fund, the T45 Local Match Fund, in a prior year. However, the County failed to approve a resolution or ordinance establishing the fund. The Harrison County Rural Transit utilized the Local Match Fund for capital outlay expenditures, along with operating expenditures in 2012. As the fund is not being utilized solely for the accumulation of funds for the acquisition of a capital asset and a resolution or ordinance has not been identified, the fund should be returned to the B55 Rural Transit Enterprise Fund. Had this activity been properly reflected in the B55 Rural Transit Enterprise Fund, the effect would have been to decrease the fund cash balance of the T45 Local Match Capital Projects Fund by \$41,298 and increase the fund cash balance of the B55 Rural Transit Enterprise Fund by \$41,298.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings and Questioned Costs 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 internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-05 and 2012-08 through 2012-12 to be material weaknesses.

### ***Compliance and Other Matters***

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters we must report under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-01 through 2012-07 and 2012-12.

### ***Entity's Response to Findings***

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

### ***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013



# Dave Yost • Auditor of State

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

Harrison County  
100 West Market Street  
Cadiz, Ohio 43907

To the Board of Commissioners:

### ***Report on Compliance for Each Major Program***

We have audited the compliance of Harrison County, Ohio's (the County), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2012. The *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs identifies the County's major federal programs.

### ***Management's Responsibility***

The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

***Basis for Qualified Opinion on Formula Grants for Other Than Urbanized Areas, Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Medical Assistance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), and Social Service Block Grant***

As described in findings 2012-13 through 2012-20 in the accompanying Schedule of Findings and Questioned Costs, the County did not comply with requirements regarding the following:

<b>Finding #</b>	<b>CFDA #</b>	<b>Program (or Cluster) Name</b>	<b>Compliance Requirement</b>
2012-13	20.509	Formula Grants for Other Than Urbanized Areas	Matching
2012-14	93.563	Child Support Enforcement	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
2012-15	93.563	Child Support Enforcement	Activities Allowed or Unallowed; Allowable Costs/Cost Principles
2012-16	93.558 93.778 10.561 93.667	Temporary Assistance for Needy Families (TANF) Medical Assistance Program SNAP Social Service Block Grant	Cash Management
2012-17	93.563	Child Support Enforcement	Reporting
2012-18	93.558 93.778 10.561 93.667	Temporary Assistance for Needy Families (TANF) Medical Assistance Program SNAP Social Service Block Grant	Allowable Costs/Cost Principles
2012-19	20.509	Formula Grants for Other Than Urbanized Areas	Reporting
2012-20	20.509	Formula Grants for Other Than Urbanized Areas	Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Availability Procurement, Suspension and Debarment, Cash Management and Reporting.

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

***Qualified Opinion on Formula Grants for Other Than Urbanized Areas, Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Medical Assistance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), and Social Service Block Grant***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion on Formula Grants for Other Than Urbanized Areas, Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Medical Assistance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), and Social Service Block Grant paragraph, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect its Formula Grants for Other Than Urbanized Areas, Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Medical Assistance Program, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP), and Social Service Block Grant for the year ended December 31, 2012.

***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the County complied in all material respects with the requirements referred to above that could directly and materially affect its other major federal program identified in the *Summary of Auditor's Results* section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2012.

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

***Report on Internal Control Over Compliance***

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Therefore, we cannot assure we have identified all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. However, as discussed below, we identified 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's applicable compliance requirement. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program's compliance requirement will not be prevented, or timely detected and corrected. We consider deficiencies in internal over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-13 through 2012-20 to be material weaknesses.

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

***Purpose of this Report***

This report only describes the scope of our tests of internal control over compliance and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State

Columbus, Ohio

November 4, 2013

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Adverse
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified for Workforce Investment Act (WIA) Cluster and Qualified for all other major programs.
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	Yes
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b> <ul style="list-style-type: none"> <li>• Supplemental Nutrition Assistance Program – CFDA # 10.561</li> <li>• WIA Cluster – CFDA #'s 17.258, 17.259 &amp; 17.278</li> <li>• Formula Grants for Other Than Urbanized Areas – CFDA #20.509</li> <li>• Temporary Assistance for Needy Families (TANF) - CFDA #93.558</li> <li>• Child Support Enforcement – CFDA #93.563</li> <li>• Medical Assistance Program – CFDA #93.778</li> <li>• Social Services Block Grant – CFDA #93.667</li> </ul>	
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**Finding Number 2012-01**

**Noncompliance Citation**

Ohio Admin. 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 principles (GAAP). The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2012-01 (Continued)**

**Noncompliance Citation - Ohio Admin. Code Section 117-2-03(B) (Continued)**

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:** The Harrison County Auditor does not have the staff or the appropriation to report on a GAAP basis of accounting.

**Finding Number 2012-02**

**Finding for Adjustment/Noncompliance Citation**

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

In prior years, the County Treasurer issued loans to the County Engineer and the Board of Elections.

These loans were paid directly to the vendors on checks issued by the County Treasurer from the general operating checking account rather than on county warrants from the county warrant account. The loans were included in the investment balance on the County's bank reconciliation at December 31, 2012.

During 2012, the County Treasurer issued additional loans to the County Engineer in the amount of \$138,051 for employee retirement buyout and \$190,090 to the County Commissioners for courthouse renovations. These loans were approved by the County Commissioners.

Had these amounts been properly expended from the General Fund, the effect would have been to increase expenditures in the General Fund by \$328,141 and to decrease the General Fund cash balance by (\$328,141).

Below is the outstanding loan balances as of December 31, 2012:

- County Engineer - \$534,891 for employee retirement buyout
- County Engineer - \$19,116 for equipment related to water operations
- County Commissioners - \$105,317 for courthouse renovations

Had these amounts been properly expended from the General Fund it would decrease the General Fund cash balance by the aggregate amount of (\$659,324).

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.



**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

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

**Finding Number 2012-02 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 321.23 (Continued)**

We recommend the County discontinue the practice of loaning money to other county departments. The County Commissioners should consult their legal counsel when the need arises to issue debt.

**Officials' Response:** The County has discontinued the practice of loaning money to other county agencies. The county was trying to generate additional revenue while saving the departments money. Once these loans are paid, this practice will discontinue.

**Finding Number 2012-03**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.09 provides that each subdivision must establish a special fund for each class of revenues derived from a source which the law requires to be used for a particular purpose. Ohio Rev. Code Section 5705.12 states, in part, that the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the auditor of state, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds.

The County established the Bicentennial Bell Fund (B78), a special revenue fund, several years ago, to accept donations for a bell to be erected at the court house. Since this fund was no longer used for such purpose the County Commissioners began to use this fund as the Commissioners Reimbursement Fund in 2012. This fund was not required to be established by Ohio Rev. Code Section 5705.09 and was not created with the permission of the Auditor of State as required by Ohio Rev. Code Section 5705.12. The County receipted monies into the fund that should have been posted to the General Fund and disbursed monies for items that should have been paid from those revenues. The County Auditor has agreed to the adjustment below to reflect all activity into the General Fund. The adjustment has been posted to the County's accounting ledgers and is reflected in the accompanying financial statements.

Fund	Account Type	Amount	Description
Commissioners			
Reimbursement Fund	Beginning Fund Balance	\$37,425	to move all activity reported in the Commissioners
General	Other Revenue	\$156,225	Reimbursement Fund to the General Fund
	Ending Fund Balance	\$126,423	

Failure to establish funds properly and record revenues appropriately could result in inaccurate reporting, misuse of public funds, and possible termination of grant funding.

We recommend the County discontinue use of the Commissioner Reimbursement Fund and post these receipts and expenditures into the General Fund. If a special revenue fund is considered necessary, then approval should be obtained as required by Ohio Rev. Code Section 5705.12 to ensure compliance with this Revised Code Section.

**Officials' Response:** The Commissioners Reimbursement Fund has been corrected and discontinued in 2013.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

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

**Finding Number 2012-04**

**Noncompliance Citation**

Ohio Rev. 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, 2012:

Fund	Balance
Government Center	(\$5,965)
Magistrate	(11,846)
Prosecutor DTAC	(172)
American Reinvestment and Recovery Act	(3,556)
Violence Against Women Act	(9,235)
Light Program	(202)
Harrison Economic Development	(277,886)
Gasoline Tax	(245,356)
CHIP Grant	(10,000)
Emergency Management Services	(6,053)
Med Reserve	(45,251)
2nd Half Real Estate	(48,220)
Trailer Tax	(1,738)
Rural Transit	(80,941)

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 for the elimination of the deficit balance.

**Officials' Response:** The County is slowly correcting the problem of deficit spending. We are putting policies in place to curb the problem.

**Finding Number 2012-05**

**Finding for Adjustment/Noncompliance Citation/Material Weakness**

Ohio Rev. Code Section 5705.13(C) states a taxing authority of a subdivision, by resolution or ordinance, may establish a capital projects fund for the purpose of accumulating resources for the acquisition, construction, or improvement of fixed assets of the subdivision. In addition, a taxing authority of a subdivision shall not accumulate money in a capital projects fund for more than ten years after the resolution or ordinance establishing the fund is adopted. If the subdivision has not entered into a contract for which it was accumulated, the fiscal officer of the subdivision shall transfer all money in the fund to the fund or funds from which that money originally was transferred or the fund that originally was intended to receive the money.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

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

**Finding Number 2012-05 (Continued)**

**Finding for Adjustment/Noncompliance Citation/Material Weakness – Ohio Rev. Code Section 5705.13(C) (Continued)**

The Harrison County Rural Transit had established a Capital Projects Fund, the T45 Local Match Fund, in a prior year. However, a resolution or ordinance establishing the fund was not provided.

The Harrison County Rural Transit utilized the Local Match Fund for capital outlay expenditures, along with operating expenditures in 2012. As the fund is not being utilized solely for the accumulation of funds for the acquisition of a capital asset and a resolution or ordinance has not been identified, the fund should be returned to the Rural Transit Enterprise Fund. The ending cash balance to be returned at December 31, 2012 was \$41,298. As the Local Match Fund was receiving amounts that were intended for the Rural Transit Enterprise Fund, the monies should be moved to the Rural Transit Enterprise Fund. Therefore, in accordance with the foregoing facts, we hereby issue a finding for adjustment against the T45 Local Match Capital Projects Fund in favor of Fund B55 Rural Transit Enterprise Fund in the amount of \$41,298.

We recommend the County only establish capital projects funds for the accumulation of resources for allowable purposes, in accordance with this Revised Code Section. After the asset is acquired, or 10 years have passed, the County should transfer all money in the fund to the fund or funds from which the money originally was transferred or the fund that originally was intended to receive the money.

**County Auditor’s Officials’ Response:** The T45 Local Match fund was established years ago as a funding mechanism to purchase new vehicles. **Rural Transit’s Officials’ Response:** Harrison County Rural Transit Board will approve a resolution to move the money from the T-45 Account into the B-55 Account and then re-establish the T-45 account and specify what money goes into the account and what can be paid out of that account. Will also have it passed by the Commissioners.

**Finding Number 2012-06**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.38 requires that on or about the first day of each fiscal year, an appropriation measure be passed at the appropriate legal level of control. Ohio Rev. Code Section 5705.41(B) provides that no subdivision or taxing unit is to expend money unless it has been appropriated. The Board of Commissioners passed an appropriations measure; however, some funds were not included. The following fund types had expenditures which exceeded appropriations in 2012:

<u>Fund Type</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance</u>
Debt Service	\$0	\$91,735	(\$91,735)
Capital Projects	597,284	678,861	(81,577)

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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2012-06 (Continued)**

**Noncompliance Citation - Ohio Rev. Code Section 5705.38 (Continued)**

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:** We have greatly improved on this citation from 2011 to 2012 and hope to have it completely resolved for 2013.

**Finding Number 2012-07**

**Noncompliance Citation**

Ohio Rev. Code Section 5705.41(D) provides 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.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
---

**Finding Number 2012-07 (Continued)**

**Noncompliance Citation – Ohio Rev. Code Section 5705.41(D) (Continued)**

The County did not certify or record the amount against the applicable appropriation accounts for 76% of tested expenditures in 2012. The County 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.

The County should certify the full purchase amounts to which Section 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which 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 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:** The County is still improving on this finding, we are having more departments use blanket certificates and super blanket certificates.

**Finding Number 2012-08**

**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 to prepare regulatory statements to implement both the new fund balance classifications and the governmental fund type definitions, as stated in GASB 54. The County did not implement GASB 54 for 2012. The County should ensure that GASB 54 is implemented and reflected in their financial statements.

**Official's Response:** The County Auditor's office does not have the staff or the financial resources to fully implement GASB 54.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

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

**Finding Number 2012-09**

**Material Weakness**

The County did not code and classify the following receipts and expenditures in 2012 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.

Fund	Account Type	Amount	Description
<b>Adjustments:</b>			
Rural Transit	Intergovernmental	\$36,854	recorded as intergovernmental in the Projects Fund Local Match Capital Projects Fund
General	Miscellaneous Revenue	\$496,640	recorded as Miscellaneous Revenue in the Permanent Improvement Fund
<b>Reclassifications:</b>			
Engineer Industrial Park	Redemption of Principal	\$23,397	recorded as Public Safety disbursements
	Interest & Fiscal Charges	\$1,603	
Jail Corrections	Intergovernmental	\$69,879	recorded as Miscellaneous Revenue
Gasoline Tax	Charges for Services	\$515,314	recorded as Intergovernmental Revenue
Road and Bridge	Charges for Services	\$1,045,234	recorded as Intergovernmental Revenue
Persons with Disabilities	Charges for Services	\$111,720	recorded as Property and Local Taxes
Election	Intergovernmental	\$4,730	recorded as Charges for Services Revenue
Persons with Disabilities	Intergovernmental	\$497,223	recorded as Property and Local Taxes
Bureau of Support	Intergovernmental	\$441,741	recorded as Charges for Services Revenue
Rural Transit	Intergovernmental	\$290,870	recorded as Charges for Services Revenue
Juvenile Reclaimed	Intergovernmental	\$118,924	recorded as Charges for Services Revenue
IV-E Juvenile	Intergovernmental	\$25,582	recorded as Charges for Services Revenue
Polling Place Access Grant	Intergovernmental	\$2,676	recorded as Charges for Services Revenue
Indigent Drivers	Intergovernmental	\$2,010	recorded as Charges for Services Revenue
Children's Services	Intergovernmental	\$433,721	recorded as Miscellaneous Revenue
Sheriff's Levy	Intergovernmental	\$33,735	recorded as Miscellaneous Revenue

In addition, the CIC Loan Fund was adjusted from an Agency Fund Type to a Special Revenue 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.

**Official's Response:** The County Auditor's office has 1 employee working on the financial report, who still has all of her other duties to perform. We are continually improving.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2012-10**

**Material Weakness**

The County has failed to take an active role in addressing prior audit noncompliance. The County's Fiscal Report Review Committee failed to meet on a regular basis to address noncompliance issues noted in the audit of the County. This has resulted in material weaknesses in the financial cycles that have gone unaddressed.

As elected officials are the administrative body of the County, it is imperative the Commissioners, Auditor and Treasurer take an active role in monitoring the County's legal compliance, financial condition and controls to safeguard the County's assets.

This would help ensure the County's accounting and financial practices are being monitored.

We recommend the Fiscal Report Review Committee meet regularly and implement steps to correct noncompliance issues and weaknesses in the financial cycles. The Committee should meet and include but not be limited to:

- Monitoring the progress of the financial and compliance audit;
- Evaluating the results of the financial and compliance audit; and
- Ensuring the internal control and legal compliance issues identified in the audit are promptly and effectively remedied.

**Official's Response:** The Fiscal Report Review Committee will take a more active approach in reviewing and monitoring the progress of all audit report findings.

**Finding Number 2012-11**

**Material Weakness**

Several common practices in the County Treasurer's office 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 deposited all checks collected to the bank daily; however, failed to deposit the cash collected to the bank daily.
2. The County Treasurer provided a check cashing service to employees and customers. The cash on hand amount is not always accurately accounted for. At December 31, 2012, cash on hand was overstated by \$157,383.
3. Checks and personal checks cashed by the County Treasurer were not consistently marked as paid and these checks could be repaid.
4. The County Treasurer issued 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 were maintained by several County departments; however, there are no controls or policies to regulate their use or a reconciliation process.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

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

**Finding Number 2012-11 (Continued)**

**Material Weakness (Continued)**

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, 2012, outstanding checks were overstated by \$140,326 and bank balances were understated by \$104,756.
7. Interest earned on investments was not posted to the County ledgers timely; at December 31, 2012, \$1,016 of interest revenue was not posted to 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.

General	Miscellaneous Revenue	\$1,016	accrued certificate of deposit interest that was not posted to County ledgers
General	Other Financing Sources	\$495	unknown receipts not recorded on 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 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.
6. Accurate bank to book reconciliations should be prepared monthly. Each amount on the reconciliation should be supported by adequate documentation, including 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.



**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
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**Finding Number 2012-11 (Continued)**

**Material Weakness (Continued)**

**Officials' Response:** 1) Amount of cash on hand and timeliness of balancing for the day, working on efficiency of deposits. 2) No longer cash payroll. 3) Stamping all checks has now been corrected and all county warrants now are run through the check process scanner. 4) No longer issuing checks for loans to other County departments. 5) The Treasurer's office has no control over the other elected officials office procedures regarding change funds and/or petty cash. 6) Corrections made on how the last day of the month warrants are being redeemed. 7) The bank has been notified to issue the county a check for all interest and not roll it over.

**Finding Number 2012-12**

**Noncompliance Citation/Material Weakness**

See federal finding 2012-18 below; GAGAS also requires us to report this finding.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<b>Finding Number</b>	2012-13
<b>CFDA Title and Number</b>	Formula Grants for Other than Urbanized Areas – 20.509
<b>Federal Award Number/Year</b>	RPT-4034-032-121
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	Ohio Department of Transportation

**Questioned Cost/Noncompliance/Material Weakness**

49 U.S.C. Section 5311(g)(1)(a) provides that a grant awarded under this section for a capital project or project administrative expenses shall be for 80 percent of the net costs of the project. 49 U.S.C. Section 5311(g)(2)(a) provides that a grant made under this section for operating assistance may not exceed 50 percent of the net operating costs of the project.

The Ohio Department of Transportation (ODOT) requires all Section 5311 grantees to provide a local match to the State and Federal grants. The local share of an operating project is derived by calculating the total operating expenses and deducting the total fare box revenue collected, the eligible amount of Federal funds, and the eligible amount of State funds. Revenues eligible as local share for an operating project include: advertising revenue; in-kind contributions; local general revenue funds; local dedicated funding such as sales, income, or property taxes; contract revenues; donations, grants, other revenue.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Finding Number 2012-13 (Continued)**

**Questioned Cost/Noncompliance/Material Weakness – 49 U.S.C. Section 5311(g)(1)(a) (Continued)**

The Harrison County Rural Transit failed to implement internal control procedures over matching requirements. This failure resulted in non-compliance with rural transit matching requirements in 2012. The Harrison County Rural Transit had \$151,303 in capital maintenance and capital items expenditures; therefore, the capital local share required of 20% was \$30,260. The local share for operating and administrative items was calculated as \$297,562, which together with the aforementioned capital match totaled \$327,822. The Rural Transit took in contract revenue of \$198,939 and local cash of \$6,560, totaling \$205,499. Local cash received was \$122,323 short of the required local match. This failure to meet the required match has resulted in questioned costs of \$80,888. This amount is reflective of the portion of federal funds for which the Harrison County Rural Transit was unable to provide a local match.

The Harrison County Rural Transit failed to implement internal control procedures over matching requirements as they pertain to the rural transit grant. The aforementioned instance of non-compliance is a direct result of such lacking internal control procedures.

We recommend the Harrison County Rural Transit review 49 U.S.C. Section 5311 along with the grant contract with the Ohio Department of Transportation. Internal control procedures should be implemented to ensure the Rural Transit meets local cash matching requirements. Strong internal controls over matching requirements could prevent non-compliance and decrease the risk of lost funds as a result of such non-compliance.

**Officials’ Response and Corrective Action Plan:** Harrison County Rural Transit has increased their fares and mileage rate with Department of Job and Family Services to have more revenue to meet the local match as was documented.

Responsible contact person – Karen Couch, Director of Harrison County Rural Transit; Anticipated completion date – December 31, 2013.

<b>Finding Number</b>	2012-14
<b>CFDA Title and Number</b>	Child Support Enforcement – 93.563
<b>Federal Award Number/Year</b>	JFSFCS12,13
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Questioned Cost/Noncompliance/Material Weakness**

2 C.F.R. Part 225 Appendix B Section (8)(h)(4) provides that where employees work on multiple activities or cost objectives, (i.e. in part on a federal program and in part on activities funded from other revenue sources) a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Finding Number 2012-14 (Continued)**

**Questioned Cost/Noncompliance/Material Weakness - 2 C.F.R. Part 225 Appendix B Section (8)(h)(4) (Continued)**

Several employees providing services through IV-D contracts with the Child Support Enforcement Agency did not document their time by maintaining a time and effort log. Questioned costs relating to failure to properly maintain time and effort documentation total \$45,770 for salaries and benefits paid and are summarized by contract below.

<u>Contract</u>	<u>Amount in Question</u>
Clerk of Courts	\$ 8,976
Juvenile Court – Clerking	16,226
Juvenile Court – Magistrate	<u>20,568</u>
Total	<u>\$45,770</u>

The practice of not maintaining time and effort logs as required could result in continued questioned costs and could affect future funding.

Time and effort logs should be an "after the fact" representation of the hours worked. Therefore, the logs should be completed in a reasonably short time after the end of the period the log is meant to cover. We recommend the County review the guidelines regarding the completion of the time and effort documentation (i.e., timesheets or logs) and take the necessary measures to ensure that the requirements are met. In addition, the County should implement procedures to reconcile actual hours recorded on time and effort documentation to actual amounts paid.

**Officials' Response and Corrective Action Plan: Clerk of Courts:** Amount in question is cost for the Clerk of Courts; the FTE (full time equivalent) method was used to calculate the amount of time prorated for the contract. This has been an accepted method by ODJFS for the calculation of the elected official. This contract unit of service is defined as a filing and according to 5101:12-1-80.3 of the administrative code the requirement for a time sheet or exception report is only when the unit of service is defined as an hour. **Juvenile Courts:** The courts previously had 2 clerks, one at 100% for the clerking contract and the other at 100% for the Magistrate. The courts had gone through a personnel dispute and at that time the courts assigned all of the duties for both clerks to the magistrate clerk. With this change they modified the charging time for the 2 contracts down to 50% for this clerk's time on each contract. The Contracts division of ODJFS was contacted concerning this change and approval was given. The courts have made changes to their staff by adding a new clerk and with doing that, they have went back to charging 100% for the clerk on the clerking contract and 100% for the Magistrates clerk. One of the contracts with the Juvenile court is for Clerking services. The unit for this contract is defined as being a "filing which affects the substantive right of any party" and according to section 5101:12-1-80.3 of the administrative code, the requirement for a time sheet or exception report is only when the unit of service is defined as an hour.

Responsible contact person – David Watson, Director of Harrison County Child Support Enforcement Agency; Anticipated completion date – December 31, 2013.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2012-15
<b>CFDA Title and Number</b>	Child Support Enforcement – 93.563
<b>Federal Award Number/Year</b>	JFSFCS12,13
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Questioned Cost/Noncompliance/Material Weakness**

45 C.F.R. Part 304.21(C) addresses the methods of determining costs. The State IV-D agency has discretion with respect to the method of calculating eligible expenditures by court and law enforcement officials under cooperative agreements. However, any method used must account for specific costs incurred on behalf of cases receiving services under the IV-D State plan.

45 C.F.R. Part 304.15 states that a state agency in support of its claims under Title IV-D of the Social Security Act must have an approved cost allocation plan on file with the Department in accordance with the requirements contained in Subpart E of 45 C.F.R. Part 95.

The Harrison County Child Support Enforcement Agency (CSEA) entered into IV-D contracts for Clerk of Courts Services, Juvenile Clerking Services, and Juvenile Magistrate Services related to IV-D cases. As a part of these contracts, costs were paid for each contract for indirect costs incurred by each. As costs were not specific to IV-D cases, an approved cost allocation plan was required. However, an approved plan was not on file with the Department to support the allocation of the costs charged to the CSEA. Questioned costs total \$12,746 and are summarized by contract below.

<u>Contract</u>	<u>Amount in Question</u>
Clerk of Courts	\$ 3,044
Juvenile Court – Clerking	4,181
Juvenile Court – Magistrate	<u>5,521</u>
Total	<u>\$12,746</u>

The lack of an approved cost allocation plan for indirect costs charged could result in questioned costs and could affect future funding.

An approved cost allocation plan should be put in place for any indirect costs paid with Title IV-D contract funds. Only specific costs incurred on behalf of cases receiving services under the IV-D State plan and those allocated through an approved cost allocation plan should be paid through IV-D contracts. The County should take steps necessary to ensure that contract costs paid are in accordance with the requirements of Parts 304.21 and 304.15 of 45 C.F.R. to avoid future suspension or loss of funds.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Finding Number 2012-15 (Continued)**

**Questioned Cost/Noncompliance/Material Weakness - 45 C.F.R. Part 304.21(C) (Continued)**

**Officials' Response and Corrective Action Plan:** The indirect costs that have been charged to the contract were calculated using the FTE method. The Contractors used the total program hours and the annual hours of the staff in the office to come up with the percentage to be used for the costs that may be shared within the office. This practice has been approved by the state as a means to come up with the allocation. A portion of the total questioned cost also includes costs that were charged to the contract using the central services cost allocation plan for Harrison County which was prepared by Maximus. The Contractors also used the FTE method to determine the amount of these indirect costs to be charged to the contract. A portion of these questioned costs are direct charges to the program, as the Magistrate has separate account line items for which they charge at 100%. The Agency will contact ODJFS, Contracts division for guidance with this matter.

Responsible contact person – David Watson, Director of Harrison County Child Support Enforcement Agency; Anticipated completion date – December 31, 2013.

<b>Finding Number</b>	2012-16
<b>CFDA Title and Number</b>	Temporary Assistance for Needy Families – 93.558 Medical Assistance Program – 93.778 SNAP – 10.561 Social Services Block Grant – 93.667
<b>Federal Award Number/Year</b>	JFSFTF10 JFSFTF12 JFSFTF13
<b>Federal Agency</b>	U.S. Department of Agriculture U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance/Material Weakness**

2 C.F.R. Section 215.22(b)(2) requires that cash advances be limited to the minimum amounts needed and be timed to be in accord with the actual, immediate cash requirements of the organization in carrying out the purpose of the program or project. The timing and 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 four quarters reviewed, we noted the following numbers of quarters' monies were not spent in accordance with cash management requirements.

- Temporary Assistance for Needy Families (TANF) - four quarters
- Medicaid - three quarters
- Supplemental Nutrition Assistance Program (SNAP) - four quarters
- Social Services Block Grant - four quarters

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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**Finding Number 2012-16 (Continued)**

**Noncompliance/Material Weakness - 2 C.F.R. Section 215.22(b)(2) (Continued)**

**Officials' Response and Corrective Action Plan:** Our Fiscal Department has changed the procedure that we use to request our draws. We do not request any funds until the bill has been received and then request only the amount that is needed monthly. We have a draw policy in place as of July 1, 2012. This was also due to the untimely reimbursement of RMS obligations, from Children's Services Fund to the Public Assistance Fund, due to lack of funds. This should not be an issue in the future due to the county funding that we are receiving.

Responsible contact person – L. Scott Blackburn, Director of Harrison County Department of Job and Family Services; Anticipated completion date – December 31, 2013.

<b>Finding Number</b>	2012-17
<b>CFDA Title and Number</b>	Child Support Enforcement – 93.563
<b>Federal Award Number/Year</b>	JFSCFS 12,13
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance/Material Weakness**

Ohio Admin. Code Section 5101:9-7-29 part (C)(2)(a) through (c) requires that the director shall certify the accuracy of the receipt and disbursement amounts, then submit the quarterly financial statement to the county auditor for signature. County auditors shall certify the reported transactions and cash balances for each month within the quarter agree with the records of their office. The completed quarterly financial statement shall be submitted to the Ohio Department of Job and Family Services Bureau of County Finance and Technical Assistance (BCFTA) no later than the tenth calendar day of the second month following the quarter the report represents.

For the four quarters of calendar year 2012, the County Child Support office failed to complete and submit the quarterly financial statement by the required date. The quarterly reports were certified from 2 up to 37 days passed the due date.

Harrison County Child Support should ensure that the quarterly reports are completed, certified by the County Auditor, and submitted to the BCFTA by the required date each quarter. To ensure that the reporting requirements are met the County should implement additional internal controls.

**Officials' Response and Corrective Action Plan:** The agency has reviewed its current policy on completing the quarterly financial certification. The agency's current policy still contained the date of the 15<sup>th</sup> which was the prior required date for the 2750 to be submitted to BCFTA. Even with this date the agency at times were out of compliance. The agency has updated this policy and will take steps to ensure future compliance.

Responsible contact person – David Watson, Director of Harrison County Child Support Enforcement Agency; Anticipated completion date – December 31, 2013.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2012-18
<b>CFDA Title and Number</b>	Temporary Assistance for Needy Families – 93.558 Medical Assistance Program – 93.778 SNAP – 10.561 Social Services Block Grant – 93.667
<b>Federal Award Number/Year</b>	JFSFTF10 JFSFTF12 JFSFTF13
<b>Federal Agency</b>	U.S. Department of Health and Human Services
<b>Pass-Through Agency</b>	Ohio Department of Job and Family Services

**Noncompliance/Material Weakness**

2 C.F.R. Part 225, Appendix A Section (C)(3)(a) states that a cost is allocable to a particular cost objective if the goods and services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

The County uses Random Moment Sample (RMS) Observations to allocate shared costs and other administrative costs between the Public Assistance, Workforce Investment Act, and Children's Services Grants. During 2012, the Children's Services Fund did not reimburse the Public Assistance Fund for the full amount of the RMS allocation expenses. As a result, \$153,770 in Public Assistance (TANF, Medicaid, SNAP, and Social Services Block Grant) expenditures were not allowable.

In addition, the lack of proper reimbursement resulted in an overstatement of the Children's Service Fund and an understatement of the Public Assistance Fund. An adjustment was made for these amounts to be properly expended from the Children's Services Fund, the affect increased expenditures in the Children's Services Fund by \$153,770 and increased the revenue in the Public Assistance Fund by \$153,770.

This adjustment to which management agrees was posted to the accounting records and is reflected in the accompanying financial statements.

Noncompliance with allowability requirements could result in questioned costs which could affect future funding.

The County should review the requirements listed above and familiarize themselves with the requirements regarding the allocation of shared costs, etc., between funds. They should take the necessary measures to implement procedures to ensure that these requirements are met.

**Officials' Response and Corrective Action Plan:** As stated in Finding 2012-16, we have started to receive quarterly funding from our County Commissioners to help fund our Children's Services Fund. We were overwhelmed with excessive Foster Care Costs for 2012, but it has since decreased.

Responsible contact person – L. Scott Blackburn, Director of Harrison County Department of Job and Family Services; Anticipated completion date – December 31, 2013.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

<b>Finding Number</b>	2012-19
<b>CFDA Title and Number</b>	Formula Grants for Other than Urbanized Areas – 20.509
<b>Federal Award Number/Year</b>	RPT-4034-032-121
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	Ohio Department of Transportation

**Noncompliance/Material Weakness**

The Rural Transit Program 2012 Grant Contract between the Harrison County Rural Transit Board and the State of Ohio Department of Transportation Section 7.1 requires the grantee to submit quarterly reports in accordance with the requirements of the Manual. The Rural Transit Program Manual for the Ohio Department of Transportation Office of Transit requires quarterly reports be submitted to the Ohio Department of Transportation (ODOT). The Manual requires grantees and service providers to use accrual accounting for the period of July 1 - December 31.

During 2012, the Harrison County Rural Transit maintained accounting ledgers in the required accrual basis and submitted the quarterly reports required; however, internal controls were not in place to assure that amounts being reported to ODOT were accurate. The ledgers being maintained did not include details including dates of obligation or dates of payment and these ledgers were not in any way reconciled to the cash basis records of the Rural Transit or Harrison County. For 2 of the 4 reports tested, the records maintained by the Rural Transit did not always agree with the receipts and disbursements reported on the quarterly reports submitted to ODOT.

The Harrison County Rural Transit should review the current reporting procedures. They should take the necessary steps to ensure that amounts reported to the Ohio Department of Transportation are supported by accurate, detailed records. Implementing strong internal controls over the reporting process will decrease the risk of misstated reports that could result in a negative financial impact for the Harrison County Rural Transit.

**Officials' Response and Corrective Action Plan:** Harrison County Rural Transit is developing a ledger that cash and accrual can be entered on the same ledger and can be reconciled.

Responsible contact person – Karen Couch, Director of Harrison County Rural Transit; Anticipated completion date – December 31, 2013.



**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2012  
(Continued)**

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)</b>
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<b>Finding Number</b>	2012-20
<b>CFDA Title and Number</b>	Formula Grants for Other than Urbanized Areas – 20.509
<b>Federal Award Number/Year</b>	RPT-4034-032-121
<b>Federal Agency</b>	U.S. Department of Transportation
<b>Pass-Through Agency</b>	Ohio Department of Transportation

**Material Weakness**

The Harrison County Rural Transit did not have any controls in place addressing the following compliance areas: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Availability; Procurement, Suspension and Debarment, as they relate to the Rural Transit Grant non-payroll expenditures. In addition we found that sufficient controls were not in place addressing the compliance areas of Cash Management and Reporting.

49 U.S.C. 5311 defines activities that are allowable and unallowable for the Rural Transit Grant Program. OMB Circular A-87 prescribed the cost account policies associated with the administration of federal awards. The Circular describes selected cost items, allowable and unallowable costs, and the standard methodologies for calculating indirect cost rates. OMB Circular A-110 provides grant restrictions addressing the period of availability. In addition, the grant contract between the Harrison County Rural Transit Board and the State of Ohio Department of Transportation along with the Grant Certifications and Assurances provide guidance on activities that are allowable and unallowable, the period of availability, cash management, procurement, suspension and debarment, and reporting procedures.

The Rural Transit did not have any procedures in place to ensure that these authoritative documents were reviewed prior to authorizing expenditure of funds. Without review of applicable grant documents, circulars, and federal code sections, the chances that unallowable expenditures could be authorized and made are significantly increased. Safeguards were not in place to assure that reports were completed accurately or timely. These could lead to questioned costs and possible loss of federal funding for the Harrison County Rural Transit. This would have a negative impact on the Rural Transit's finances.

The Harrison County Rural Transit should review the current approval process for federal payments. They should take the necessary steps to ensure that someone is responsible for reviewing expenditures for compliance with the Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Period of Availability; Procurement, Suspension and Debarment requirements prior to authorizing payment. The Harrison County Rural Transit should also establish steps to ensure that cash management and reporting requirements are met.

**Official's Response and Corrective Action Plan:** Harrison County Rural Transit Board is in the process of developing a policy stating that the Harrison County Rural Transit Director will be responsible for signing off on bills stating that that bill is an allowable cost to be paid with Grant monies.

Responsible contact person – Karen Couch, Director of Harrison County Rural Transit; Anticipated completion date – December 31, 2013.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
OMB CIRCULAR A-133 § .315(b)  
DECEMBER 31, 2012**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain</b>
2011-01	Ohio Admin. Code Section 117-2-03(B), did not prepare financial statements in accordance with GAAP.	No	Not Corrected; Reissued as Finding 2012-01.
2011-02	Ohio Rev. Code Section 321.23, County Treasurer issued loans of county monies to County Engineer and Board of Elections.	No	Not Corrected; Reissued as Finding 2012-02.
2011-03	Ohio Rev. Code Section 5705.38, Adopting Appropriations and Ohio Rev. Code Section 5705.41 (B), expenditures exceeded appropriations in several funds.	No	Not Corrected; Reissued as Finding 2012-06.
2011-04	Ohio Rev. Code Section 5705.41(D), failure to certify expenditures prior to incurring obligations.	No	Not Corrected; Reissued as Finding 2012-07.
2011-05	Ohio Rev. Code Section 5705.10(H), deficit fund balances at year-end for several funds.	No	Not Corrected; Reissued as Finding 2012-04.
2011-06	Material Weakness – Failure to properly classify receipts and disbursements within several funds.	No	Not Corrected; Reissued as Finding 2012-09.
2011-07	Material Weakness – Safe guard of public monies and reconciliations in the County Treasurer’s office.	No	Not Corrected; Reissued as Finding 2012-11.
2011-08	Material Weakness – Budget amounts not properly posted to the accounting system.	No	Partially Corrected; Reissued in Management Letter.
2011-09	Material Weakness – County Treasurer issued a warrant to move monies from one fund to another.	Yes	N/A.
2011-10	Material Weakness – Failure to adopt GASB Statement 54.	No	Not Corrected; Reissued as Finding 2012-08.
2011-11	2 C.F.R. Section 215.22 (b)(2), Cash management requirements for various JFS programs.	No	Not Corrected; Reissued as Finding 2012-16.
2011-12	42 C.F.R. Section 433.15(a), Public Assistance Grant matching rates and 45 C.F.R. Section 74.23, Public Assistance Grant matching contributions.	Yes	N/A.
2011-13	OMB Circular A-87/2 C.F.R. Section 225, Allowability of federal expenditures.	No	Partially Corrected; Reissued as Finding 2012-18.



# 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  
NOVEMBER 19, 2013