



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**FINANCIAL CONDITION  
HARRISON COUNTY**

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STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## REPORT OF INDEPENDENT ACCOUNTANTS

Harrison County  
100 W. Market Street  
Cadiz, Ohio 43907

To The Board of Commissioners:

We have audited the accompanying financial statements of Harrison County, Ohio, as of and for the year ended December 31, 2001. These financial statements are the responsibility of Harrison County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the County, prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison County, as of December 31, 2001, its combined receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated, May 15, 2002 on our consideration of the Harrison County's internal control over reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of 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 not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the audit committee, management, board of commissioners, and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

May 15, 2002

**FINANCIAL CONDITION  
HARRISON COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>				<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$1,583,623	\$1,296,287		\$63,291		\$2,943,201
Special Assessments		21,318				21,318
Intergovernmental Receipts	356,127	7,651,941	124,916	1,468,140		9,601,124
Charges for Services	361,630	1,997,624				2,359,254
Licenses and Permits	2,071					2,071
Fines and Forfeitures	227,984	39,971				267,955
Miscellaneous	273,720	448,003	36,827	1,655	74,420	834,625
<b>Total Cash Receipts</b>	<b>2,805,155</b>	<b>11,455,144</b>	<b>161,743</b>	<b>1,533,086</b>	<b>74,420</b>	<b>16,029,548</b>
<b>Cash Disbursements:</b>						
Current:						
General Government						
Legislative and Executive	1,220,715	487,508				1,708,223
Judicial	579,052	332,526				911,578
Public Safety	635,028	476,170				1,111,198
Public Works	4,961	3,409,245				3,414,206
Health	10,447	233,305		83,523		327,275
Human Services	95,921	6,701,230				6,797,151
Miscellaneous	122,237	15,378			12,944	150,559
Debt Service:						
Principal Payments		105,909	109,853			215,762
Interest Payments		11,207	88,631			99,838
Capital Outlay		223,245		1,345,260		1,568,505
<b>Total Disbursements</b>	<b>2,668,361</b>	<b>11,995,723</b>	<b>198,484</b>	<b>1,428,783</b>	<b>12,944</b>	<b>16,304,295</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>136,794</b>	<b>(540,579)</b>	<b>(36,741)</b>	<b>104,303</b>	<b>61,476</b>	<b>(274,747)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Bonds or Notes	46,643	223,245				269,888
Transfers-In		78,498	71,776			150,274
Advances-In				24,000		24,000
Transfers-Out	(150,274)					(150,274)
Advances-Out				(31,232)		(31,232)
Other Financing Sources	151,517	453,951		14,324		619,792
Other Financing Uses	(237,297)					(237,297)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(189,411)</b>	<b>755,694</b>	<b>71,776</b>	<b>7,092</b>	<b>0</b>	<b>645,151</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(52,617)</b>	<b>215,115</b>	<b>35,035</b>	<b>111,395</b>	<b>61,476</b>	<b>370,404</b>
<b>Fund Cash Balances January 1</b>	<b>32,491</b>	<b>1,270,393</b>	<b>(36,896)</b>	<b>152,873</b>	<b>57,874</b>	<b>1,476,735</b>
<b>Fund Cash Balances, December 31</b>	<b>(\$20,126)</b>	<b>\$1,485,508</b>	<b>(\$1,861)</b>	<b>\$264,268</b>	<b>\$119,350</b>	<b>\$1,847,139</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  
PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPE  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
<b>Operating Cash Receipts:</b>			
Charges for Services	\$284,643		\$284,643
Total Operating Cash Receipts	284,643		284,643
<b>Operating Cash Disbursements:</b>			
Personal Services	347,645		347,645
Contractual Services	26,772		26,772
Supplies and Materials	60,330		60,330
Capital Outlay	22,554		22,554
Total Operating Cash Disbursements	457,301		457,301
Operating Income/(Loss)	(172,658)	0	(172,658)
<b>Non-Operating Cash Receipts:</b>			
Intergovernmental Receipts	186,876		186,876
Other Non-Operating Receipts		28,988,114	28,988,114
Total Non-Operating Cash Receipts	186,876	28,988,114	29,174,990
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements	14,324	29,021,315	29,035,639
Total Non-Operating Cash Disbursements	14,324	29,021,315	29,035,639
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	(106)	(33,201)	(33,307)
Advances-In	31,232		31,232
Advances-Out	(24,000)		(24,000)
Net Receipts Over/(Under) Disbursements	7,126	(33,201)	(26,075)
Fund Cash Balances, January 1	4,587	1,000,300	1,004,887
<b>Fund Cash Balances, December 31</b>	<b>\$11,713</b>	<b>\$967,099</b>	<b>\$978,812</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, 2001**

<b>Fund Types/ Funds</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Governmental Fund Types:			
General Fund	\$2,853,095	\$3,003,315	\$150,220
Special Revenue Funds	12,575,193	12,210,838	(\$364,355)
Debt Service Funds	230,500	233,519	\$3,019
Capital Projects Funds	284,240	1,547,410	\$1,263,170
Proprietary Fund Types:			
Enterprise Fund	472,600	471,519	(\$1,081)
Fiduciary Fund Types:			
Trust Funds	<u>77,027</u>	<u>74,420</u>	<u>(\$2,607)</u>
<b>Totals</b>	<u>\$16,492,655</u>	<u>\$17,541,021</u>	<u>(\$1,048,366)</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, 2001**

Fund Types/ Funds	Prior Year Carryover Appropriations	2001 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/01	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$0	\$3,104,571	\$3,104,571	3,055,933	0	3,055,933	48,638
Special Revenue Funds	17,860	12,930,339	\$12,948,199	11,995,723	0	11,995,723	952,476
Debt Service Funds	0	199,845	\$199,845	198,484	0	198,484	1,361
Capital Projects Funds	0	827,944	\$827,944	1,428,783	0	1,428,783	(600,839)
Proprietary Fund Types:							
Enterprise Fund	0	423,200	\$423,200	471,625	0	471,625	(48,425)
Fiduciary Fund Types:							
Trust Funds	0	58,627	\$58,627	12,944	0	12,944	45,683
<b>Totals</b>	<u>\$17,860</u>	<u>\$17,544,526</u>	<u>\$17,562,386</u>	<u>17,163,492</u>	<u>0</u>	<u>17,163,492</u>	<u>398,894</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, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of Entity**

Harrison County is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three-member elected Board of County Commissioners. A County auditor and County treasurer are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include general government, both executive and judicial, law enforcement, public works, public safety, health, welfare, conservation, and maintenance of highways, roads, and bridges. Taxes are levied, collected, and distributed to schools, townships, municipalities, and appropriate County funds.

Management believes the financial statements included in this report represent all of the funds of the County over which the County has the ability to exercise direct operating control.

The funds of the District Board of Health and the Soil Conservation Service are subject to a separate audit. Consequently, these agencies and their financial transactions are excluded from Harrison County's financial statements.

**B. Basis of Accounting**

Although required by Ohio Administrative Code § 117-2-03 (B) to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis accounting formerly prescribed or permitted by the Auditor of State. 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, as formerly prescribed or permitted by the Auditor of State.

**C. Cash and Investments**

Certificates of deposit are valued at cost.

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts, gains or losses at the time of sales are recorded as receipts or disbursements accordingly.

**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:

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**Debt Service Funds**

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs. According to governmental accounting principles, the debt service fund accounts for the payment of long-term debt for governmental funds only. Under Ohio law, the debt service fund might also be used to account for the payment of the long-term debt of proprietary funds and the short-term debt of both governmental and proprietary funds. For purposes of this report, these funds have been classified into the proper groups, if practicable.

**Capital Projects Funds**

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

**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 Fund**

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fiduciary Fund Type:**

Fiduciary fund types are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's fiduciary funds include expendable trust funds and agency funds.

**E. Budgetary Process**

**Budget**

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

**Estimated Resources**

The County budget commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources which states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated expenditures from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1, 2001, unencumbered fund balances. However, those fund balances are available for appropriations.

**Appropriations**

A temporary appropriation measure to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation measure must be passed by April 1 of each year for the period January 1 to December 31. The appropriation measure may be amended or supplemented during the year as new information becomes available. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund and function level of control and appropriations may not exceed estimated resources. Contrary to Ohio Revised Code § 5705.39, appropriations exceeded estimated resources in several funds.

**Encumbrances**

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve the portion of the applicable appropriation.

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures were not always certified and encumbered as required by Ohio Revised Code § 5705.41(D).

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

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

**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. POOLED CASH AND INVESTMENTS**

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

**Legal Requirements**

Statutes require the classification of moneys held by the County into two categories.

Category A consists of "active" moneys required to be kept in a "cash" or "near cash" status for the current demands upon the County treasury.

Such monies must be maintained either as cash in the County treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category B consists of "inactive" moneys, those moneys in excess of the amount considered to be "active" moneys. Inactive moneys may be deposited or invested in the following securities.

1. United States Treasury Notes, Bills, 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;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency, 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;

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**2. POOLED CASH AND INVESTMENTS (Continued)**

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio); and
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements."

**Deposits:** At year-end, the carrying amount of the County's deposits was \$2,825,951 and the bank balance was \$3,429,144. The bank balance includes all department clearing accounts and all accounts for which the County acts as fiscal agent. Of the bank balance:

1. \$100,000 was covered by federal depository insurance, by collateral held by the County, or by collateral held by a qualified third party trustee in the name of the County;
2. \$3,329,144 was covered by collateral held by third party trustees pursuant to Section 135.181, Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions.

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

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. 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 1999.

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, 2000, was \$10.92 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.15 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$9.96 per \$1000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Owners of tangible personal 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, 2001 was \$10.92 per \$1000 of assessed valuation.

Real Property - 1999 Valuation	
Residential/Agricultural	\$ 122,803,960
Commercial/Industrial	26,682,550
Public Utilities	233,220
Tangible Personal Property - 2000 Valuation	
General	21,608,020
Public Utilities	<u>31,601,620</u>
Total Valuation	\$ <u>202,929,370</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. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County.

**4. DEBT OBLIGATIONS**

Debt outstanding at December 31, 2001, consisted of the following:

General Obligation Notes	
Principal Outstanding	\$349,761
Interest Rates	6.29%



**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

General Obligation Bonds	
Principal Outstanding	\$1,523,128
Interest Rates	4.98-6.8%

O.W.D.A. Loan	
Principal Outstanding	\$499,833
Interest Rate	None

Outstanding notes were of the general obligation type. Proceeds from the notes were used by the engineer's department for bridge replacements and county roads resurfacing. In addition, the Sheriff's Department used proceeds to purchase radio equipment.

The proceeds of the outstanding general obligation bonds were used for the renovation and improvement of the county courthouse, renovation of 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.

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2001, including interest payments of \$502,485 are as follows:

Year Ending December 31	General Obligation Bonds	General Obligation Notes
2002	\$ 258,520	\$ 58,137
2003	195,764	36,226
2004	199,404	15,405
2005	197,703	15,406
2006	197,703	15,405
2007-2011	776,474	77,027
2012-2016	196,882	74,557
2017-2021	<u>                    </u>	<u>60,761</u>
Total	<u>\$ 2,022,450</u>	<u>\$ 352,924</u>

**O.W.D.A. Loans**

The first Ohio Water Development Authority (O.W.D.A.) Loan is for utility construction projects. The full faith, credit, and revenue of the County have been pledged to repay these debts. The amounts payable as of December 31, 2001 are expected to be repaid from special assessments levied against the property owners who benefitted from these projects.

Such special assessments are receivable by the County and an equal amount of the debt payable to the Ohio Water Development Authority is due on the earlier of the following dates:

1. The date that the related parcel of land is no longer used for agricultural purposes; or

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. DEBT OBLIGATIONS (Continued)**

2. Twenty years from the date the amounts were loaned to the County, with an extension being available for certain qualifying large agricultural properties.

The second Ohio Water Development Authority Loan is a planning loan for the removal of hazardous waste barrels that were buried on county property. At present, this is planning loan and in the future it will be rolled into a construction loan. At that time, an amortization schedule will be prepared.

**5. RISK MANAGEMENT**

The County maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 80% coinsured.

**6. PERMISSIVE SALES AND USE TAX (PIGGYBACK SALES TAX)**

A County levied tax of one and one-half percent (1.5%) is applied on the storage, use, or other consumption, in the County, of motor vehicles, and on the storage, use, or other consumption, in the County, of tangible personal property. A Board of County Commissioners resolution provides that 84% of the proceeds of this tax are general fund revenue to be appropriated for general operating expenses and 16% of the proceeds of this tax are capital projects fund revenue to be appropriated for capital improvements. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2001 amounted to \$1,074,670.

**7. DEFINED BENEFIT PENSION PLANS**

**A. Public Employees Retirement System**

All County employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing multiple employer defined benefit pension plan administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report that may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

Plan members, other than those engaged in law enforcement, are required to contribute 8.5 percent of their annual covered salary to fund pension obligations; law enforcement employees contribute 9 percent. For plan members, other than those engaged in law enforcement, the County was required to contribute 9.35 percent of covered salary for 2001. The County contribution for law enforcement employees for 2001 was 12.5. Contributions are authorized by State statute. The contribution rates are determined actuarially. The County's employer contributions to PERS for the years ended December 31, 2001, 2000, and 1999 \$909,142, \$599,153 and \$713,700, respectively; 80 percent has been contributed for 2001 and 100 percent has been contributed for 2000 and 1999.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**7. DEFINED BENEFIT PENSION PLANS (Continued)**

**B. State Teachers Retirement System**

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary to fund pension obligations and the County is required to contribute 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's employer contributions to STRS for the years ended December 31, 2001, 2000, and 1999, were \$30,632, \$28,994 and \$28,766, respectively; 100 percent has been contributed for 2001, 2000 and 1999.

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**HARRISON COUNTY**  
**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Disbursements
<b>U.S. Department of Education</b>			
<i>Passed through the Ohio Department of Education:</i>			
Assistance to States for the Education of the Handicapped, Part B - Title VI-B Special Education Cluster	84.027	6B-SF-01P 6B-SF-02P	19,201 3,165 <u>22,366</u>
Pre-school Grant	84.127	PG-S1-01 PG-S1-02	15,265 <u>5,697</u>
<b>Total U.S. Department of Education</b>			43,328 0
<b>Federal Emergency Management Agency</b>			
<i>Passed Through the State Emergency Management Agency:</i>			
Emergency Management Performance Grant	83.552	N/A	15,265 5,697 0 22,366 16,923
Local Emergency Planning Committee	20.703	N/A	<u>9,694</u>
<b>Total U.S. Federal Emergency Management Agency</b>			26,617
<b>U. S. Department of Housing and Urban Development</b>			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Formula Program	14.228	B-F-99-031-1 B-F-00-031-1	48,600 <u>102,150</u> 150,750
Community Housing Improvement Program	14.228	BC-99-031-1 BC-01-031-1	357,143 <u>5,500</u> 362,643
<b>Total U.S. Housing and Urban Development</b>			513,393
<b>U. S. Department of Health and Human Services</b>			
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant - Title XX	93.667	MR - 34- FY01 MR - 34- FY02	17,331 <u>2,429</u> 19,760
Community Alternative Funding Program (CAFS)	93.778		<u>191,922</u>
<b>Total U.S. Department of Health and Human Services</b>			211,682
<b>U.S. Department of Justice</b>			
COPS Grant	16.710	99 CMWX 2289 98 UMWX 2626	9,670 <u>8,518</u> 18,188
School Resource Officer Grant	16.016	01SHWX0238	38,901
<b>Total U.S. Department of Justice</b>			57,089
<b>U.S. Department of Transportation</b>			
<i>Passed Through the Ohio Department of Transportation</i>			
Grant for Other Than Urbanized Areas	20.509	RPT 4034 020 011 RPT 0034 020 012	54,449 <u>51,774</u>
<b>Total U.S. Department of Transportation</b>			106,223
<b>Federal Highway Administration</b>			
<i>Passed Through the Ohio Department of Natural Resources</i>			
Recreational Trails Program	20.219	9914	106,018
<b>U.S. Department of Labor</b>			
JTPA Title III Clean Air Grant	17.246	98-31-00-00	19,265
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Workforce Investment Act Grant	17.255		<u>156,562</u>
<b>Total U.S. Department of Labor</b>			175,827
<b>Total Federal Awards Expenditures</b>			<u>1,240,177</u>

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

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STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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800-443-9271

Facsimile 330-797-9949

**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Harrison County  
100 West Market  
Cadiz, Ohio 43907

To Board of Commissioners:

We have audited the financial statements of Harrison County, Ohio, as of and for the year ended December 31, 2001, and have issued our report thereon dated May 15, 2002, in which we noted the County prepares its financial statements on a comprehensive basis of accounting other than generally accepted accounting principles, contrary to Ohio Administrative Code § 117-2-03 (B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether Harrison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings as items 2001-61234-001 through 2001-61234-003. We also noted certain immaterial instances on noncompliance, which we have reported to management of Harrison County in a separate letter dated May 15, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Harrison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Harrison County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2000-61234-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to management of Harrison County in a separate letter dated May 15, 2002.

This report is intended for the information and use of the audit committee, management, board of commissioners, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

May 15, 2002





STATE OF OHIO  
OFFICE OF THE AUDITOR

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

Harrison County  
100 West Market Street  
Cadiz, Ohio 43907

To The Board of Commissioners:

**Compliance**

We have audited the compliance of Harrison County, Ohio, with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2001. Harrison County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Harrison County's management. Our responsibility is to express an opinion on Harrison County's compliance based on our audit.

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

In our opinion, Harrison County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2001.

**Internal Control Over Compliance**

The management of Harrison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Harrison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the audit committee, management, board of commissioners, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

**Jim Petro**  
Auditor of State

May 15, 2002

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2001**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion.	UNQUALIFIED
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	NO
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	YES
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	YES
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	NO
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	NO
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	UNQUALIFIED
(d)(1)(vi)	Are there any reportable findings under § .510?	NO
(d)(1)(vii)	Major Programs (list):	CDBG FORMULA CFDA 14.228
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>\$300,000 B-ALL REMAINING PROGRAMS
(d)(1)(ix)	Low Risk Auditee?	YES

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2001  
(Continued)**

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<i>Finding Number</i>	<b>2001-61234-001</b>
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**Ohio Administrative Code § 117-2-03 (B)** requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. The County prepares its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles. The County's financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

The County should report in accordance with generally accepted accounting principles to avoid the assessment of penalties.

<i>Finding Number</i>	<b>2001-61234-002</b>
-----------------------	-----------------------

**Ohio Rev. Code § 5705.41(D)** states that no subdivision shall make any contract or order any expenditure of money unless the certificate of the fiscal officer is attached. The fiscal officer must certify that the amount required to meet such a commitment has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrance. The amount so certified shall be recorded against the applicable appropriation account.

This section also provides two "exceptions" to the above requirements:

- a. 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 contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Commissioners 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.
  
- b. If the amount involved is less than one thousand dollars the fiscal officer issues a certificate, but may authorize it to be paid without the affirmation of the Board of Commissioners.

Of the transactions tested, 38% were not properly certified by the County Auditor. The County should take the necessary measures to ascertain that the transactions are properly certified.

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2001  
(Continued)**

<b><i>Finding Number</i></b>	<b>2001-61234-003</b>
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**Ohio Revised Code § 5705.39** prohibits a political subdivision from making a fund appropriation in excess of the estimated revenue available for expenditure from that fund as certified by the budget commission on the official certificate of estimated resources.

During 2001, the General Fund, the Bureau of Support Fund and the Gas Tax Fund had appropriations which exceeded estimated receipts by 7%, the Community Housing Investment Partnership (CHIP) Fund had appropriations which exceeded estimated receipts by 31%, the County Home Fund and the Debt Service Fund had appropriations which exceeded estimated receipts by 3% and the Block Grant Fund had appropriations which exceeded receipts by 37%.

Actual receipts were not sufficient to permit the County to obtain an amended certificate of estimated resources in any of abovementioned funds.

Also during 2001, the Road and Bridge Fund had appropriations which exceeded estimated receipts by 14% and the Issue II Fund had appropriations which exceeded estimated receipts by 50%. Actual resources in these two funds were sufficient to permit the County to have obtained an amended certificate.

**Ohio Revised Code § 5705.36** states that a subdivision shall request an amended certificate of estimated resources if actual resources exceed estimated resources and if the legislative authority intends to appropriate and expend the excess revenue.

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. The County Auditor should compare appropriations to estimated resources and if adequate resources are available for additional appropriations, the County should submit an amended certificate of estimated resources to the budget commission for certification. If the resources are not available to cover the appropriations, an amendment to the appropriation resolution should be passed by the County Commissioners to reduce the appropriations.

<b><i>Finding Number</i></b>	<b>2001-61234-004</b>
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The County Treasurer reconciles daily activity and fund balances with the fund balances maintained by the County Auditor. However, activity and fund balances are not reconciled with the depository balances on a regular basis. As a result, errors have occurred and have gone undetected and management does not always have an accurate picture of the County's finances.

The County Treasurer should reconcile monthly financial statements to the depository balance. Reconciling items should be supported by appropriate documentation and significant unusual items should be investigated. This reconciliation should be reviewed and approved by the appropriate level of management. The review and approval should be documented.

FINANCIAL CONDITION  
HARRISON COUNTY

SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2001  
(Continued)

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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<i>Finding Number</i>	
None	

**FINANCIAL CONDITION  
HARRISON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2000-61234-001	OAC § 117-1-11 Annual report was not filed in accordance with generally accepted accounting procedures.	No	Not corrected Reissued in the current report as finding # 2001-61234-001
2000-61234-002	ORC § 5705.41 (D) expenditures were not certified by the Auditor.	No	Not corrected Reissued in the current report as finding #2001-61234-002
2000-61234-003	Total fund balances are not reconciled to depository balances on a regular basis.	No	Not corrected Reissued in the current report as finding #2001-61234-004







STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## 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  
JULY 5, 2002