



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
HARRISON COUNTY**

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harrison County
100 West Market Street
Cadiz, OH 43907

To the Board of Commissioners:

We have audited the accompanying financial statements of Harrison County, Ohio (the County) as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting 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, 2002, and its combined cash 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 our report dated April 15, 2003 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 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 solely for the information and use of the audit committee, management, the 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 15, 2003

**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, 2002**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Cash Receipts:						
Property Tax and Other Local Taxes	\$1,605,269	\$1,267,742		\$59,625		\$2,932,636
Special Assessments		48,185				48,185
Intergovernmental Receipts	339,172	7,133,884	\$138,916	101,193		7,713,165
Charges for Services	330,626	1,763,355				2,093,981
Licenses and Permits	1,310					1,310
Fines and Forfeitures	225,109	34,780				259,889
Miscellaneous	101,526	646,820	36,827	27,393	8,461	821,027
Total Cash Receipts	2,603,012	10,894,766	175,743	188,211	8,461	13,870,193
Cash Disbursements:						
Current:						
General Government						
Legislative and Executive	1,247,025	1,386,568				2,633,593
Judicial	530,133	352,374				882,507
Public Safety	692,624	460,973				1,153,597
Public Works	15,754	3,190,201				3,205,955
Health	8,960	309,374		82,130		400,464
Human Services	89,198	6,651,621				6,740,819
Miscellaneous	145,705	36,488			3,298	185,491
Debt Service:						
Bond Principal			131,401			131,401
Note Principal		339,547				339,547
Interest and Fiscal Charges		22,269	116,273			138,542
Capital Outlay		473,468		223,686		697,154
Total Cash Disbursements	2,729,399	13,222,883	247,674	305,816	3,298	16,509,070
Total Receipts Over/(Under) Disbursements	(126,387)	(2,328,117)	(71,931)	(117,605)	5,163	(2,638,877)
Other Financing Receipts/(Disbursements):						
Proceeds of Bonds		800,000				800,000
Proceeds of Notes		473,468				473,468
Transfers-In		38,799		524		39,323
Advances-In		5,000		31,232		36,232
Transfers-Out	(28,751)	(10,048)		(524)		(39,323)
Advances-Out		(5,000)				(5,000)
Other Financing Sources	557,100	839,367				1,396,467
Other Financing Uses	(338,476)					(338,476)
Total Other Financing Receipts/(Disbursements)	189,873	2,141,586		31,232		2,362,691
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	63,486	(186,531)	(71,931)	(86,373)	5,163	(276,186)
Fund Cash Balances January 1	(20,126)	1,485,508	(1,861)	264,268	119,350	1,847,139
Fund Cash Balances, December 31	\$43,360	\$1,298,977	(\$73,792)	\$177,895	\$124,513	\$1,570,953

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, 2002**

	<u>Proprietary Fund Types</u>	<u>Fiduciary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Agency</u>	
Operating Cash Receipts:			
Charges for Services	\$348,808		\$348,808
Total Operating Cash Receipts	348,808		348,808
Operating Cash Disbursements:			
Personal Services	321,486		321,486
Contractual Services	83,797		83,797
Supplies and Materials	87,974		87,974
Total Operating Cash Disbursements	493,257		493,257
Operating Loss	(144,449)		(144,449)
Non-Operating Cash Receipts:			
Intergovernmental Receipts	132,517		132,517
Other Non-Operating Receipts		\$26,795,929	26,795,929
Total Non-Operating Cash Receipts	132,517	26,795,929	26,928,446
Non-Operating Cash Disbursements:			
Other Non-Operating Cash Disbursements		26,968,375	26,968,375
Total Non-Operating Cash Disbursements		26,968,375	26,968,375
Receipts (Under) Disbursements Before Interfund Transfers and Advances	(11,932)	(172,446)	(184,378)
Advances-Out	(31,232)		(31,232)
Net Receipts (Under) Disbursements	(43,164)	(172,446)	(215,610)
Fund Cash Balances, January 1	11,713	967,099	978,812
Fund Cash Balances, December 31	<u>(\$31,451)</u>	<u>\$794,653</u>	<u>\$763,202</u>

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, 2002**

Fund Types/ Funds	Budget	Actual	Variance Favorable (Unfavorable)
Governmental Fund Types:			
General Fund	\$3,244,909	\$3,160,112	(\$84,797)
Special Revenue Funds	13,039,442	13,049,400	9,958
Debt Service Funds	163,333	175,743	12,410
Capital Projects Funds	447,181	188,735	(258,446)
Proprietary Fund Types:			
Enterprise Fund	468,795	481,325	12,530
Fiduciary Fund Types:			
Trust Funds	44,502	8,461	(36,041)
Totals	<u>\$17,408,162</u>	<u>\$17,063,776</u>	<u>\$344,386</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, 2002**

Fund Types/ Funds	Prior Year Carryover Appropriations	2002 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/02	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	\$0	\$3,123,722	\$3,123,722	\$3,096,626	\$0	\$3,096,626	\$27,096
Special Revenue Funds	0	14,198,981	14,198,981	13,232,931	0	13,232,931	966,050
Debt Service Funds	0	205,738	205,738	247,674	0	247,674	(41,936)
Capital Projects Funds	0	677,320	677,320	306,340	0	306,340	370,980
Proprietary Fund Types:							
Enterprise Fund	0	487,002	487,002	493,257	0	493,257	(6,255)
Fiduciary Fund Types:							
Trust Funds	0	98,650	98,650	3,298	0	3,298	95,352
Totals	\$0	\$18,791,413	\$18,791,413	\$17,380,126	\$0	\$17,380,126	\$1,411,287

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

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

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

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

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 and notes in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual financial reports in accordance with generally accepted accounting principles. The basis of accounting is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

These statements include adequate disclosure of material matters, in accordance with the basis of accounting described in the preceding paragraph.

C. Cash and Investments

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

Certificates of deposit are valued at cost.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3. Fiduciary Fund Type (Trust and Agency):

Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Funds, for which the County is acting in an agency capacity, are classified as agency 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, 2002, 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.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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;

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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 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, of 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 \$2,334,155 and the bank balance was \$2,600,801. 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. \$2,500,801 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.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

2. POOLED CASH AND INVESTMENTS (Continued)

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

3. LEGAL COMPLIANCE

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

Fund	Appropriations	Estimated Resources	Variance
Dog and Kennel	\$98,550	\$85,497	\$(13,053)
Community Housing Investment Partnership	\$500,000	\$285,159	\$(214,841)
Public Assistance	\$3,890,200	\$3,299,596	\$(590,604)
Light Program	\$49,841	\$28,583	\$(21,258)
Debt Service	\$205,738	\$161,472	\$(44,266)
Rural Transit	\$436,002	\$346,905	\$(89,097)

Contrary to Ohio Revised Code § 5705.41(B), the following funds had expenditures, which exceeded appropriations.

Fund	Expenditures	Appropriations	Variance
Road and Bridge	\$577,141	\$500,000	\$(77,141)
Gas Tax	\$2,241,919	\$1,364,099	\$(877,820)
Sheriff Levy	\$410,428	\$178,792	\$(231,636)
Debt Service	\$247,674	\$205,738	\$(41,936)

In addition, from January 1, 2002 through April 30, 2002, the County had expended \$698,512 from the Government Center Fund and there were no appropriations established for that fund prior to April 30.

Contrary to Ohio Revised Code § 5705.41(D), the County did not always certify or record expenditures against the applicable appropriation account.

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 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.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

4. PROPERTY TAX (Continued)

The full tax rate applied to real property for the fiscal year ended December 31, 2002, was \$10.92 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$9.16 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, 2002 was \$10.92 per \$1000 of assessed valuation.

Real Property	
Residential/Agricultural	\$ 123,174,580
Commercial/Industrial	26,431,460
Public Utilities	239,700
Tangible Personal Property	
General	21,365,790
Public Utilities	19,371,470
Total Valuation	<u>\$ 190,583,000</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.

5. DEBT OBLIGATIONS

Debt outstanding at December 31, 2002, consisted of the following:

General Obligation Notes	
Principal Outstanding	\$ 825,327
Interest Rates	0% -5.30%
General Obligation Bonds	
Principal Outstanding	\$ 2,133,394
Interest Rates	5.25% - 5.75%
Ohio Water Development Authority Loans	
Principal Outstanding	\$ 681,632
Interest Rate	3.20%

Outstanding notes were of the general obligation type. Proceeds from the notes were used by the engineer's department for bridge replacements, county roads resurfacing and truck purchases and by the sheriff's department for the purchases of a cruiser and radio equipment.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

5. DEBT OBLIGATIONS (Continued)

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

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2002, including interest payments are as follows:

Year Ending December 31	General Obligation Bonds	General Obligation Notes
2003	\$ 211,939	\$ 155,434
2004	227,227	43,047
2005	226,838	43,047
2006	226,527	43,047
2007	200,763	43,047
2008 - 2012	944,472	210,235
2013 - 2017	320,767	161,531
2018 - 2022	259,492	131,717
Total	\$2,618,025	\$ 831,105

Ohio Water Development Authority (O.W.D.A.) Loans

The first O.W.D.A. loan is for utility construction projects. The full faith, credit, and revenue of the County have been pledged as collateral for the debt. The amounts payable as of December 31, 2002 are expected to be repaid from special assessments levied against the property owners who benefited from these projects.

Such special assessments are receivable by the County and an equal amount of the debt payable to the OWDA 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
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 OWDA 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.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

6. RISK MANAGEMENT

A. General Insurance

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

Through April 1, 2002, the County maintained 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 were 90% coinsured.

As of April 1, 2002, 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 officials' 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. No county may have more than one representative 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 Workers' Compensation System a premium based on a rate per \$100 of employee compensation. The rate is calculated based on accident history and administrative costs.

B. Health Care Insurance

The County provides medical/surgical insurance benefits to its employees through Health Assurance. The employees share the cost of the monthly premium for family coverage only with the Board of Commissioners. Dental and vision insurance are provided by the County to employees.

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Continued)**

7. PERMISSIVE SALES AND USE TAX (PIGGYBACK SALES TAX)

A County levied tax of one and one-half percent (1.5%) is applied on the storage, use, or other consumption, in the County, of motor vehicles, and on the storage, use, or other consumption, in the County, of tangible personal property. A Board of County Commissioners resolution provides that 84% of the proceeds of this tax are general fund revenue to be appropriated for general operating expenses and 16% of the proceeds of this tax are capital projects fund revenue to be appropriated for capital improvements. Total permissive sales and use tax (piggyback sales tax) receipts collected in 2002 amounted to \$ 940,269.

8. 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 10 percent. For plan members, other than those engaged in law enforcement, the County was required to contribute 13.55 percent of covered salary for 2002. The County contribution for law enforcement employees for 2002 was 16.70. 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, 2002, 2001, and 2000 were \$842,773, \$909,142 and \$599,153, respectively; 100% has been contributed for 2002, 2001 and 2000.

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, 2002, 2001, and 2000, were \$31,942, \$30,632, and \$28,994, respectively; 100 percent has been contributed for 2002, 2001, and 2000.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Education			
<i>Passed through the Ohio Department of Education:</i>			
Special Educaiton Cluster			
Special Education Grants to States	84.027	6B-SF-02P IDEA-B02-03	\$21,211 3,681 <hr/> 24,892
Special Education Pre-school Grant	84.127	PG-S1-02 078014ECSE	14,985 2,521 <hr/> 17,506
Total U.S. Department of Education			<hr/> 42,398
Federal Emergency Management Agency			
<i>Passed Through the State Emergency Management Agency:</i>			
Emergency Management Performance Grant	83.552	N/A	16,923
Local Emergency Planning Committee	20.703	N/A	<hr/> 9,694
Total U.S. Federal Emergency Management Agency			<hr/> 26,617
U. S. Department of Housing and Urban Development			
<i>Passed through the Ohio Department of Development:</i>			
Community Development Formula Program	14.228	B-F-00-031-1 B-F-01-031-1 B-C-01-031-1 B-W-98-031-1	2,850 108,200 96,922 59,000 <hr/> 266,972
Home Investment Partnership Program (HOME)	14.239	BC-01-031-1	<hr/> 194,246
Total U.S. Housing and Urban Development			461,218
U. S. Department of Health and Human Services			
<i>Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities</i>			
Social Services Block Grant - Title XX	93.667	MR - 34- FY02 MR - 34- FY03	13,678 1,630 <hr/> 15,308
Foster Care Title IV-E	93.658	SFY02 SFY03	18,066 29,665 <hr/> 47,731
Temporary Assistance for Needy Families	93.558	SFY02 SFY03	69,613 46,496 <hr/> 116,109
Community Alternative Funding	93.778	CY 01	<hr/> 234,412
Total U.S. Department of Health and Human Services			<hr/> 413,560

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002
(Continued)**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Justice			
Community Oriented Policing Servicing (COPS) Grant	16.710	01-SHWX0238	\$43,754
<i>Passed through the Ohio Attorney General's Office</i>			
Victims of Crime Assistance Grant	16.575	02-VAGENE272	17,077
		03-VAGENE272	7,212
			<u>24,289</u>
Total; U.S. Department of Justice			68,043
U.S. Department of Transportation			
<i>Passed Through the Ohio Department of Transportation</i>			
Grant for Other Than Urbanized Areas - Operating	20.509	RPT 4034 021-021	68,088
- Capital		RPT 0034 021-022	44,432
			<u>112,520</u>
Total U.S. Department of Transportation			112,520
U.S. Department of Labor			
<i>Passed Through the Ohio Department of Job and Family Services</i>			
Workforce Investment Act Grant - Adult	17.258	WIA-A02	24,442
		WIA-A03	41,122
			<u>65,564</u>
Workforce Investment Act Grant - Youth	17.259	WIA-Y02	108,914
		WIA-Y03	86,310
			<u>195,224</u>
Workforce Investment Act Grant - Disabled Worker	17.260	WIA -Y02	15,420
		WIA -Y03	7,649
			<u>23,069</u>
Total U.S. Department of Labor			<u>283,857</u>
Total Federal Awards Expenditures			<u><u>\$1,408,213</u></u>

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

**FINANCIAL CONDITION
HARRISON COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2002**

SIGNIFICANT ACCOUNTING POLICIES

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

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**Auditor of State
Betty Montgomery**

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Commissioners:

We have audited the financial statements of the Harrison County, Ohio (the County) as of and for the year ended December 31, 2002, and have issued our report thereon dated April 15, 2003, which noted the County prepares its financial statements on a basis of accounting other than that prescribed by Ohio Administrative Code Section 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 the 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 2002-001 through 2002-007. We also noted certain immaterial instances of noncompliance, which we have reported to management of the County in a separate letter dated April 15, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 2002-008.

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. We consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in the report that we have reported to management of the County in a separate letter dated April 15, 2003.

This report is intended solely for the information and use of the audit committee, management, board of commissioners, federal awarding agencies and passes 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

April 15, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Harrison County
100 West Market
Cadiz, Ohio 43907

To The Board of Commissioners:

Compliance

We have audited the compliance of Harrison County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are 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 each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United State 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 occurred 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 the 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 the County's compliance with those requirements.

As described in item 2002-009 in the accompanying schedule of findings, Harrison County, did not comply with cash management requirements regarding the Home Investment Partnership Program. Compliance with such requirements is necessary, in our opinion, for Harrison County, to comply with requirements of this program.

In our opinion, except for the noncompliance described in the preceding paragraph, Harrison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002.

Internal Control Over Compliance

The management of the 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 the 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.

We noted a certain matter involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect Harrison County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2002-009.

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. Our consideration of the internal control over compliance 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 also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness

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.



Betty Montgomery
Auditor of State

April 15, 2003

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002**

1. SUMMARY OF AUDITOR'S RESULTS
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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)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	No
(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?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list) Community Development Block Formula Grant	CFDA 14.228
	Community Housing Investment Partnership Grant	CFDA 14.239
(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, 2002
(Continued)**

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

Finding Number	2002-001
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On June 12, 2000, Harry Gibson requested that the Harrison County Board of Revisions reduce the appraisal of jointly owned Parcel #07-00016.001. At the time the complaint was filed, the Gibson's had accrued \$6,799.73 of delinquent real estate taxes plus interest owed to the County. On July 14, 2000, the Secretary of the Board of Revisions wrote a letter to Mr. Gibson to deny his complaint as the Board felt that the value of the property was correct and in line with the current market values. At June 26, 2002, Harry E. and Judith A. Gibson owed \$8,088.45 in delinquent taxes and accrued interest and \$324.69 in current taxes on the abovementioned parcel. At Mr. Gibson's request, George Campbell, County Treasurer, agreed to write off \$3,000 of the \$8,413.14 total tax bill leaving a balance of \$5,413.14. Pursuant to Ohio Revised Code § 323.121, the treasurer has the authority to waive penalties for delinquent taxes if paid within ten days of the original due date, however, this does not give the treasurer the sole power to grant tax reductions.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code § 117.28**, a finding for recovery is being issued for public monies due but not collected, jointly and severally, against Harry E. and Judith A Gibson, property owners, George Campbell, County Treasurer, and his bonding company, Old Republic Surety Company, in the amount of \$3,000 and in favor of the Undistributed General Real Property Tax Fund.

Finding Number	2002-002
-----------------------	-----------------

The General Tax List and Duplicate of Real and Public Utility Property shows that delinquent taxes due on Parcel # 29-0011-.000, owned by John D. Worley, accrued through tax year 2001 were \$8,030.34. The delinquent tax report printed on March 5, 2003 shows that the amount of delinquent taxes on said parcel was \$4,129. The amount of reduction in the amount owed, \$3,901.34, was written off by George Campbell, County Treasurer at the request of Mr. Worley. A petition to reduce valuation of said property had not been taken to the Board of Revisions. Pursuant to Ohio Revised Code § 323.121, the treasurer has the authority to waive penalties for delinquent taxes if paid within ten days of the original due date, however, this does not give the treasurer the sole power to grant tax reductions.

In accordance with the foregoing facts and pursuant to **Ohio Revised Code § 117.28**, a finding for recovery is being issued for public monies due but not collected, jointly and severally, against John D. Worley, property owner, George Campbell, County Treasurer, and his bonding company, Old Republic Insurance Company, in the amount of \$3,901.34 and in favor of the Undistributed General Real Property Tax Fund.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)**

Finding Number	2002-003
-----------------------	-----------------

Ohio Administrative Code § 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 statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. 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.

Finding Number	2002-004
-----------------------	-----------------

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 2002, the following funds had appropriations, which exceeded estimated resources.

Fund	Appropriations	Estimated Resources	Variance
Dog and Kennel	\$98,550	\$85,497	\$(13,053)
Community Housing Investment Partnership	\$500,000	\$285,159	\$(214,841)
Public Assistance	\$3,890,200	\$3,299,596	\$(590,604)
Light Program	\$49,841	\$28,583	\$(21,258)
Debt Service	\$205,738	\$161,472	\$(44,266)
Rural Transit	\$436,002	\$346,905	\$(89,097)

Failure to limit appropriations to the amount certified by the budget commission could result in overspending and negative cash balances. Actual receipts plus unencumbered fund balances were not sufficient to permit the County to obtain an amended certificate of estimated resources supporting the amounts of the abovementioned appropriations.

The County should review certified resources prior to adopting appropriations. If certified amounts are not sufficient to supported desired appropriations, increased amended certificates should be obtained, or appropriations limited amounts available.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)**

Finding Number	2002-005
-----------------------	-----------------

Ohio Revised Code § 5705.41(B) prohibits a subdivision from making expenditure unless it has been properly appropriated.

The following funds had expenditures which exceeded appropriations.

Fund	Expenditures	Appropriations	Variance
Road and Bridge	\$577,141	\$500,000	\$(77,141)
Gas Tax	\$2,241,919	\$1,364,099	\$(877,820)
Sheriff Levy	\$410,428	\$178,792	\$(231,636)
Debt Service	\$247,674	\$205,738	\$(41,936)

In addition, the Government Center Fund had expenditures of \$698,512 in April 2002 and appropriations for that fund were not approved until May 2002.

Failure to limit expenditures plus encumbrances to the amount appropriated by the County Commissioners could result in overspending and negative cash balances. Expenditures should be limited to appropriations. If the County Commissioners determine that expenditure needs exceed current appropriation authority, additional appropriations should be approved by the County Commissioners prior to the additional expenditures being incurred.

Finding Number	2002-006
-----------------------	-----------------

Ohio Revised Code § 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. This section also provides two "exceptions" to the above requirement:

- 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 (\$1,000) 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.

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002
(Continued)**

The County did not certify or record the amounts against the applicable appropriation accounts for 27% of tested expenditures of the general fund, 26% of tested expenditures of the special revenue funds, 79% of tested expenditures of the capital projects fund, 39% of tested expenditures of the enterprise funds and 24% of tested expenditures of the expendable trust funds. The County did not utilize the certification exceptions described above for those expenditures lacking prior or simultaneous certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. The County should obtain approved purchase orders which include the fiscal officer's certification that the amount required to meet the obligation has been lawfully appropriated and authorized prior to making the commitment.

Finding Number	2002-007
-----------------------	-----------------

Ohio Revised Code § 133.15 states that the taxing authority of any subdivision may issue securities of the subdivision for purpose of paying all or any portion of the costs of any permanent improvement that the subdivision is authorized, alone or in cooperation with others persons, to acquire, improve or construct. Ohio Revised Code § 133.01(NN) defines the taxing authority of a county as the board of county commissioners. The County Engineer entered into four separate debt agreements for the purposes of paying the costs of permanent improvements in the amounts of \$123,200, \$100,000, \$130,548 and \$99,083. The County Sheriff entered into one debt agreement for purpose of paying the costs of improving the department's communication system in the amount \$20,936. The debt agreements were transacted without the authorization of the Board of County Commissioners.

The practice of issuing debt securities without the approval of the Board of County Commissioners could result in budgetary noncompliance, an inability to repay the issues or an excess of the tax limitation of the County's unvoted debt margin. The procedures and regulations by which the County can issue debt should be disseminated to all County officials.

Finding Number	2002-008
-----------------------	-----------------

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, 2002
(Continued)**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2002-009
CFDA Title and Number	Home Investment Partnerships Programs 14.239
Federal Award Number	BC-01-031-1
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Development

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

The County violated this rule on three occasions during the audit period:

- 1) Drawdown # 178 for \$28, 260, of which \$14,665 was expended within 15 days, leaving a balance of \$13,595.
- 2) Drawdown # 179 for \$30,270, of which \$24,119 was expended within 15 days, leaving a balance of \$6,151.
- 3) Drawdown #180, the last drawdown in 2002, was made in April 2002 for \$149,946, of which \$25,981 was expended within 15 days, the remaining funds were disbursed throughout the remainder of 2002 and did not reach the \$5,000 level until October 2002.

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

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

**FINANCIAL CONDITION
HARRISON COUNTY**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2001-61234-001	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 # 2002-003
2001-61234-002	ORC § 5705.41 (D) expenditures were not certified by the Auditor.	No	Not corrected Reissued in the current report as finding #2002-006
2001-61234-003	ORC §5705.41 (B), appropriations exceeded estimated receipts in the General, Bureau of Support, Gas Tax, CHIP Block Grant and the Debt Service Funds, actual receipts were not sufficient to obtain an amended certificate of estimated resources	No	Not corrected Reissued in current report as finding #2002-005
2001-61234-004	ORC 5705.39, Annual appropriations exceeded estimated receipts.	No	Partially Corrected, reissued in current report as finding #2002-004
2001-61234-005	The Treasurer did not reconcile with the depository balances on a regular basis. Errors have occurred and gone undetected.	No	No corrected, reissued in current report as finding #2002-008



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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 15, 2003**