



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

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**STATE OF OHIO**



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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, 1999. 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 generally accepted auditing standards 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 Section 117-1-11 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, 1999, 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, April 17, 2000 on our consideration of Harrison County's internal control over reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 management, board of commissioners, and other officials authorized to receive this report under Section 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". The signature is written in a cursive style with a large, looping initial "J".

**Jim Petro**  
Auditor of State

April 17, 2000

**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, 1999**

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
<b>Cash Receipts:</b>						
Property Tax and Other Local Taxes	\$1,396,646	\$1,122,198		\$55,286		\$2,574,130
Special Assessments		9,271				9,271
Intergovernmental Receipts	394,014	6,734,928	\$124,916	472,719		7,726,577
Charges for Services	302,710	1,653,744				1,956,454
Licenses and Permits	2,600					2,600
Fines and Forfeitures	210,714	32,063				242,777
Miscellaneous	244,010	297,163	36,827	28,158	1,958	608,116
<b>Total Cash Receipts</b>	<b>2,550,694</b>	<b>9,849,367</b>	<b>161,743</b>	<b>556,163</b>	<b>1,958</b>	<b>13,119,925</b>
<b>Cash Disbursements:</b>						
Current:						
General Government						
Legislative and Executive	1,107,141	696,121				1,803,262
Judicial	504,383	194,165				698,548
Public Safety	576,258	371,664				947,922
Public Works	8,333	3,397,971				3,406,304
Health	11,279	295,147				306,426
Human Services	85,918	5,060,528				5,146,446
Conservation - Recreation		16				16
Miscellaneous	90,958				51,305	142,263
Debt Service:						
Principal Payments		100,060	96,371			196,431
Interest Payments		16,274	99,493			115,767
Capital Outlay				508,161		508,161
<b>Total Cash Disbursements</b>	<b>2,384,270</b>	<b>10,131,946</b>	<b>195,864</b>	<b>508,161</b>	<b>51,305</b>	<b>13,271,546</b>
<b>Total Receipts Over/(Under) Disbursements</b>	<b>166,424</b>	<b>(282,579)</b>	<b>(34,121)</b>	<b>48,002</b>	<b>(49,347)</b>	<b>(151,621)</b>
<b>Other Financing Receipts/(Disbursements):</b>						
Sale of Bonds or Notes		175,000				175,000
Transfers-In		111,268	26,875	3,581		141,724
Advances-In		37,728				37,728
Transfers-Out	(129,143)	(12,581)				(141,724)
Advances-Out	(30,448)	(4,500)				(34,948)
Other Financing Sources	98,445	144,672				243,117
Other Financing Uses	(212,066)					(212,066)
<b>Total Other Financing Receipts/(Disbursements)</b>	<b>(273,212)</b>	<b>451,587</b>	<b>26,875</b>	<b>3,581</b>		<b>208,831</b>
<b>Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements</b>	<b>(106,788)</b>	<b>169,008</b>	<b>(7,246)</b>	<b>51,583</b>	<b>(49,347)</b>	<b>57,210</b>
<b>Fund Cash Balances January 1</b>	<b>142,979</b>	<b>940,611</b>	<b>17,658</b>	<b>97,584</b>	<b>110,480</b>	<b>1,309,312</b>
<b>Fund Cash Balances, December 31</b>	<b>\$36,191</b>	<b>\$1,109,619</b>	<b>\$10,412</b>	<b>\$149,167</b>	<b>\$61,133</b>	<b>\$1,366,522</b>

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

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1999**

	<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	\$233,672		\$233,672
Total Operating Cash Receipts	233,672		233,672
<b>Operating Cash Disbursements:</b>			
Personal Services	221,266		221,266
Total Operating Cash Disbursements	221,266		221,266
Operating Income	12,406		12,406
<b>Non-Operating Cash Receipts:</b>			
Other Non-Operating Receipts		\$26,082,140	26,082,140
Total Non-Operating Cash Receipts		26,082,140	26,082,140
<b>Non-Operating Cash Disbursements:</b>			
Other Non-Operating Cash Disbursements		26,206,091	26,206,091
Total Non-Operating Cash Disbursements		26,206,091	26,206,091
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	12,406	(123,951)	(111,545)
Advances-In	12,220		12,220
Advances-Out	(15,000)		(15,000)
Net Receipts Over/(Under) Disbursements	9,626	(123,951)	(114,325)
Fund Cash Balances, January 1	1,377	675,119	676,496
<b>Fund Cash Balances, December 31</b>	<b>\$11,003</b>	<b>\$551,168</b>	<b>\$562,171</b>

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



**COMBINED STATEMENT OF RECEIPTS - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 1999**

<b>Fund Types/ Funds</b>	<b>Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Governmental Fund Types:			
General Fund	\$2,647,604	\$2,649,139	(\$1,535)
Special Revenue Funds	10,433,266	10,280,307	152,959
Debt Service Funds	192,000	188,618	3,382
Capital Projects Funds	436,035	559,744	(123,709)
Proprietary Fund Types:			
Enterprise Fund	232,074	233,672	(1,598)
Fiduciary Fund Types:			
Trust Funds	<u>13,278</u>	<u>1,958</u>	<u>11,320</u>
<b>Totals</b>	<u><u>\$13,954,257</u></u>	<u><u>\$13,913,438</u></u>	<u><u>\$40,819</u></u>

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

**COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES  
 COMPARED WITH EXPENDITURE AUTHORITY  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

Fund Types/ Funds	1999 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/99	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:						
General Fund	\$2,750,907	\$2,750,907	\$2,725,479		\$2,725,479	\$25,428
Special Revenue Funds	10,581,977	10,581,977	10,144,527	\$17,680	10,162,207	419,770
Debt Service Funds	195,889	195,889	195,864		195,864	25
Capital Projects Funds	506,649	506,649	508,161		508,161	(1,512)
Proprietary Fund Types:						
Enterprise Fund	243,200	243,200	221,266		221,266	21,934
Fiduciary Fund Types:						
Trust Funds	<u>77,804</u>	<u>77,804</u>	<u>51,305</u>		<u>51,305</u>	<u>26,499</u>
<b>Totals</b>	<u><u>\$14,356,426</u></u>	<u><u>\$14,356,426</u></u>	<u><u>\$13,846,602</u></u>	<u><u>\$17,680</u></u>	<u><u>\$13,864,282</u></u>	<u><u>\$492,144</u></u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999**

**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 Section 117-1-11 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:

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(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, 1999, 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. Appropriations may not exceed estimated resources.

**Encumbrances**

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

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated. At December 31, 1998, there were no prior year appropriations to be carried forward to January 1, 1999.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(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, those moneys required to be kept in a "cash" or "near cash" status for current demands upon the County treasury.

Such moneys 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 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;

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(Continued)**

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

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) of (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 (STAROhio);
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 exceed five percent of the County's total average portfolio;
10. Bankers acceptances for a period not no 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 \$1,928,693 and the bank balance was \$1,792,454. The bank balance includes all department clearing accounts and all accounts for which the County acts as fiscal agent. Of the bank balance:

1. \$202,188 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. \$1,590,266 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).

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
(Continued)

**3. RESTATEMENT OF FUND BALANCES**

The County has reclassified two funds during this audit period. Its Transportation Fund was reclassified from Special Revenue Fund Type to the Enterprise Fund Type. Its Family and Children First fund was reclassified from Special Revenue Fund Type to Agency Fund Type. The effects of the adjustments on the fund balances as previously reported at December 31, 1998 are as follows:

	<b>Special Revenue</b>	<b>Enterprise</b>	<b>Agency</b>
Fund balances as previously stated	\$ 992,403	\$ 0	\$ 624,704
Reclassification of Transportation Fund	(1,377)	1,377	
Reclassification of Family and Children First Fund	<u>(50,415)</u>	<u>0</u>	<u>50,415</u>
Restated fund balances at January 1, 1999	<u>\$ 940,611</u>	<u>\$1,377</u>	<u>\$675,119</u>

**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 1996.

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, 1998, was \$10.92 per \$1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$10.06 per \$1000 of assessed valuation for real property classified as residential/agricultural and \$10.50 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, 1999 was \$10.92 per \$1000 of assessed valuation.

Real Property - 1998 Valuation	
Residential/Agricultural	\$103,871,850
Commercial/Industrial	24,801,540
Public Utilities	<u>326,150</u>
Tangible Personal Property - 1999 Valuation	
General	17,319,300
Public Utilities	<u>33,898,440</u>
Total Valuation	<u>\$180,217,280</u>



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(Continued)**

**4. PROPERTY TAX (Continued)**

The Harrison County Treasurer collects property tax on behalf of all taxing districts within the County. The Harrison County Auditor periodically remits to the taxing districts their portions of the taxes collected. 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, 1999, consisted of the following:

General Obligation Notes	
Principal Outstanding	\$151,956
Interest Rates	6.29%
General Obligation Bonds	
Principal Outstanding	\$1,920,376
Interest Rates	4.98-6.8%
O.W.D.A. Loan	
Principal Outstanding	\$387,801
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.

Outstanding general obligation bonds are 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, 1999, including interest payments of \$714,844 are as follows:

Year Ending December 31	General Obligation Bonds	General Obligation Notes
2000	\$ 323,816	\$ 43,420
2001	262,942	43,966
2002	258,520	43,966
2003	195,764	22,601
2004	199,404	1,235
2005-2009	883,793	6,173
2010-2014	<u>495,403</u>	<u>6,173</u>
Total	<u>\$ 2,619,642</u>	<u>\$ 167,534</u>

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

The Ohio Water Development Authority (O.W.D.A.) Loans are 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, 1999 are expected to be repaid from special assessments levied against the property owners who benefitted from these projects.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**  
**(Continued)**

**5. DEBT OBLIGATIONS (Continued)**

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

**6. 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.

**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 1.25% of the proceeds of this tax are general fund revenue to be appropriated for general operating expenses and .25% 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 1999 amounted to \$1,010,528.

**8. EMPLOYEES' RETIREMENT SYSTEM**

All Harrison County full-time employees, who are not certified teachers, participate in the Public Employees Retirement System, a cost sharing multiple employer public employee retirement system created by the State of Ohio. Contribution rates are statutorily authorized and actuarially determined. The rate established for employee contributions in 1999 was 8.5 percent of gross wages for employees other than law enforcement. Law enforcement employees contributed 9 percent of their gross wages. The County's contribution rate for employees other than law enforcement was 13.55 percent of gross wages. The County's contribution rate for law enforcement employees was 16.00 percent of gross wages.

The Harrison County Board of Mental Retardation employs certified teachers who participate in the State Teachers Retirement System, a cost sharing multiple employer public employee retirement system created by the State of Ohio. The Ohio Revised Code provides statutory authority for employee and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of ten percent for members and fourteen percent for employers. Contribution requirements for the fiscal year ended June 30, 1999 were 9.3 percent of gross wages for employees and 14.0 percent of gross wages for the County.

The State of Ohio accounts for the activities of these Retirement Systems and, accordingly, the amounts of these activities are not reflected in the accompanying financial statements.

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED JUNE 30, 1999**

<b>FEDERAL GRANTOR/ Pass Through Grantor Program Title</b>	<b>CFDA NUMBER</b>	<b>PASS THROUGH ENTITY NUMBER</b>	<b>EXPENDITURES</b>
<b>U.S. Department of Agriculture</b>			
Passed through the Ohio Department of Education:			
Assistance to States for the Education of the Handicapped, Part B - Title VI-B	84.027	6B-SF-99P 6B-SF-00P	\$7,133 7,759
Pre-school Grant	84.127	PG-S1-99 PG-S1-00	7,619 <u>8,659</u>
Total U.S. Department of Education			31,170
<b>U.S. Department of Education</b>			
Passed Through the State Emergency Management Agency:			
Emergency Management Performance Grant	83.552	N/A	16,923
Local Emergency Planning Committee	20.703	N/A	<u>11,286</u>
Total U.S. Department of Emergency Management			28,209
<b>U. S. Department of Housing and Urban Development</b>			
Passed through the Ohio Department of Development:			
Community Housing Improvement Program	14.228	B-F-97-031-1 B-F-98-031-1 B-F-99-031-1 B-W-98-031-1	37,300 96,062  119,000
			<u>252,362</u>
Community Development Formula Program	14.228	BC-97-031-1 BC-99-031-1	285,922 <u>39,754</u>
			325,676
Total U.S. Housing and Urban Development			578,038
<b>U. S. Department of Health and Human Services</b>			
Passed Through the Ohio Department of Mental Retardation and Developmental Disabilities			
Social Services Block Grant - Title XX	93.667	MR - 34- FY99 MR - 34- FY00	16,340 <u>6,249</u>
			22,589
Community Alternative Funding Program (CAFS)	93.778		<u>160,431</u>
Total U.S. Department of Health and Human Services			183,020
<b>Total U.S. Department of Labor</b> (from JTPA Federal Schedule)			<u>306,245</u>
<b>Total Federal Financial Expenditures</b>			<u><u>\$1,126,682</u></u>

(Continued)

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES**  
**DECEMBER 31, 1999**  
(Continued)

<u>FEDERAL GRANTOR/ Pass Through Grantor Program title</u>	<u>Federal CFDA Number</u>	<u>Grant Period</u>	<u>Allocation</u>	<u>Federal Expenditures</u>	<u>Federal Receipts</u>
<b>U.S. Department of Labor</b>					
Passed through Ohio Bureau of Employment Services					
<b>JTPA - Title II</b>					
0-97-31-00-00	17.250	7/97 - 6/99	\$67,640	\$480	
0-98-31-00-00	17.250	7/98 - 6/00	48,435	32,996	\$41,769
0-99-31-00-00	17.250	7/99 - 6/00	69,141	21,744	19,272
Y-97-31-00-00	17.250	7/97 - 6/99	27,221	186	
Y-98-31-00-00	17.250	7/98 - 6/00	33,356	21,339	21,665
Y-99-31-00-00	17.250	7/99 - 6/01	23,331	3,850	180
1-97-31-00-00	17.250	7/97 - 6/99	6,930	595	
1-98-31-00-00	17.250	7/98 - 6/00	5,424	1,276	4,422
1-99-31-00-00	17.250	7/99 - 6/01	5,137	324	858
4-97-31-00-00	17.250	7/97 - 6/99	6,399	51	
4-98-31-00-00	17.250	7/98 - 6/00	7,960	3,496	3,374
4-99-31-00-00	17.250	7/99 - 6/01	7,207		
5-98-31-00-00	17.250	5/98 - 9/99	89,118	15,720	15,052
5-99-31-00-00	17.250	10/98 - 9/99	86,859	75,824	80,808
Total CFDA # 17.250			484,158	177,881	187,400
<b>Economic Dislocation &amp; Worker Adjustment Assisance Program</b>					
A-97-31-00-00	17.246	7/97 - 6/99	30,178	1,929	
A-98-31-00-00	17.246	7/98 - 6/00	42,197	36,208	35,180
A-99-31-00-00	17.246	7/99 - 6/01	32,527	15,563	13,013
B-98-31-00-00	17.246	3/99 - 5/99	10,000	9,972	10,000
W-98-31-00-00	17.246	4/99 - 9/99	70,000	56,261	58,451
F-98-31-00-00	17.246	10/99 - 3/01	13,585	8,271	13,585
Total CFDA #17.246			198,487	128,204	130,229
Total U.S. Department of Labor			<u>\$682,645</u>	<u>\$306,085</u>	<u>\$317,629</u>

*The accompanying notes to the schedule of federal awards expenditures is an integral part of this schedule.*

<u>Interest Income</u>	<u>Interest Expended</u>	<u>Obligations</u>	<u>Unexpended Allocation</u>	<u>Cash Balance</u>
\$15	\$15	\$652		\$630
3	3	4,394	\$66,542	(2,473)
8	8	2,050		4,771
		807	22,494	(3,770)
1	1	289	2,906	3,194
		19	4,329	534
1	1	258	3,384	56
			6,991	
38	38	38		248
58	58	4,966	13,379	4,984
124	124	13,473	120,026	8,174
7	7	7		381
2	2	972	20,553	(2,551)
		28		28
		3,547	13,043	2,191
27	27	27	5,287	5,314
36	36	4,581	38,883	5,363
<u>\$160</u>	<u>\$160</u>	<u>\$18,054</u>	<u>\$158,908</u>	<u>\$13,537</u>

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
DECEMBER 31, 1999**

**NOTE A - JOB TRAINING PARTNERSHIP ACT SCHEDULE**

For programs which have a grant period which began in a previous fiscal year, unexpended allocation will not equal allocation less federal expenditures and obligations. In addition, federal receipts less federal expenditures will not equal cash balance. This is due to the fact that funding began in a previous fiscal year. These are carry-over funds. There are other receipts, expenditures and obligations that are not presented here due to the scope of the audit. Job Training Partnership Act revenue and expenditures are required to be reported on an accrual basis.



STATE OF OHIO  
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**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, 1999, and have issued our report thereon dated April 17, 2000, in which we noted the County prepares its financial statements on a basis of accounting other than generally accepted accounting principles, which is further described in Note 1. We conducted our audit in accordance with generally accepted auditing standards 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings as item 1999-61234-001. We also noted certain immaterial instances on noncompliance, which we have reported to management of Harrison County in a separate letter dated April 17, 2000.

**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 certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. 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. Reportable conditions are described in the accompanying schedule of findings as items 1999-61234-002, 1999-61234-003, and 1999-61234-004.

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, of the reportable conditions described above, we consider item 1999-61234-002 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of Harrison County in a separate letter dated April 17, 2000.

This report is intended for the information and use of the 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.

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

**Jim Petro**  
Auditor of State

April 17, 2000





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 program for the year ended December 31, 1999. 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 programs 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 generally accepted auditing standards; 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 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, 1999.

**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 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

April 17, 2000

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 1999**

<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)?	YES
(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

<b>2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
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<b>Finding Number</b>	<b>1999-61234-001</b>
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**Ohio Administrative Code § 117-1-11** 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.

**SCHEDULE OF FINDINGS**  
**OMB CIRCULAR A-133 § .505**  
**DECEMBER 31, 1999**  
**(Continued)**

<b><i>Finding Number</i></b>	<b>1999-61234-002</b>
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The County Treasurer’s office 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 occurred and were not detected on a timely basis.

The County Treasurer’s office 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.

<b><i>Finding Number</i></b>	<b>1999-61234-003</b>
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The County has failed to establish an audit committee. As a result, prior noncompliance and internal control issues have gone unaddressed. To help ensure that audit findings are addressed in a timely manner the County should form a “financial report review committee” to enhance communication of issues raised in the audit report to offices and departments included in the report. The committee should be composed of the County Auditor, County Treasurer and a Commissioner. The committee should organize itself annually and perform the following functions:

- A. Meet with the audit team or its appropriate representative, prior to the audit, to review the scope and terms of the engagement.
- B. Meet with the audit team or its appropriate representatives to review the results of the audit. This preferably would be conducted as part of the post audit conference.
- C. Review and comment upon any material changes in the internal control systems and accounting policies/procedures addressed in the engagement letter and reports.
- D. Review and evaluate any potential conflict of interest and ethical conflict situations.
- E. In addition to the pre-audit and post-audit meetings, schedule meetings on an as needed basis.

Implementation of these procedures will ensure that noncompliance issues are addressed in a timely manner.

<b><i>Finding Number</i></b>	<b>1999-61234-004</b>
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During 1999, the County Court did not perform monthly bank reconciliations for ten of the twelve months of the audit period. Bank balances were not reconciled to the cash book or to an open items list. This increases the possibility that errors or irregularities could occur and not be detected in a timely manner.

The County Court Clerk should prepare accurate monthly reconciliations to assure that the bank balance reconciles to the cash book and to the open items list. The monthly reconciliation procedures would help ensure that all financial transactions are reflected and that errors and irregularities are identified.

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 1999**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1998-61234-001	Finding for Recovery issued against the County MRDD for transportation services billed and not paid to the Transportation Fund (\$22,757).	Yes	
1998-61234-002	ORC § 149.351 Supporting for expenditures was not available for a large portion of expenditures.	Yes	
1998-61234-003	ORC § 5705.41 (D) Expenditures were not properly certified.	No	Partially Corrected
1998-61234-004	OAC § 117-1-11 Annual report was not filed in accordance with generally accepted accounting procedures.	No	Not corrected
1998-61234-005	OAC § 117-2-10 Receipts were not posted properly.	No	Partially Corrected
1998-61234-006	Total fund balances are not reconciled to depository balances on a regular basis.	No	Not corrected
1998-61234-007	Ending balances per computer reports were not consistent among	Yes	
1998-61234-008	The County had not established an audit committee.	No	Not corrected
1998-61234-009	The County had no formal Year 2000 contingency plan.	No	Finding is no longer valid as the County made the transition into Y2K without any interruptions in operations.





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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## 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  
JUNE 27, 2000