FINANCIAL CONDITION
HARRISON COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2004

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, Ohio 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, 2004. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Ohio Administrative Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on an accounting basis not in accordance with these generally accepted accounting principles. The accompanying financial statements and notes omit entity wide statements, and assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the accompanying financial statements do not present fairly the financial position, results of operations, and cash flows, where applicable, of Harrison County as of and for the year ended December 31.2004, in accordance with accounting principles generally accepted in the United States of America.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August17, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with Government Auditing Standards. You should read it in conjunction with this report in assessing the results of our audit.

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We conducted our audit to opine on the County's financial statements. The Federal Awards Expenditure Schedule presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* It is not a required part of the financial statements. We subjected this schedule to the auditing procedures applied in our audit of the County's financial statements. For reasons stated in the third paragraph, the financial statements do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the County, as of December 31, 2004, or its changes in financial position or its cash flows for the year then ended. Therefore we are unable to express, and we do not express, an opinion on the Federal Awards Expenditure Schedule.

Betty Montgomery

Betty Montgomery
Auditor of State

August 17, 2005

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2004

	Governmental Fund Types				Fiduciary Fund Type	
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Expendable Trust**	**Totals (Memorandum Only)**
Cash Receipts:						
Property Tax and Other Local Taxes	$1,810,706	$1,319,438		$61,073		$3,191,217
Licenses and Permits	1,720					1,720
Intergovernmental Receipts	335,152	8,111,110	$148,916	462,650		9,057,828
Charges for Services	324,938	2,041,332				2,366,270
Fines and Forfeitures	198,216	21,985				220,201
Special Assessments		55,916				55,916
Other Revenue	156,641	403,579	54,775	21,297	$48,122	684,414
Total Cash Receipts	2,827,373	11,953,360	203,691	545,020	48,122	15,577,566
Cash Disbursements:						
General Government						
Legislative and Executive	1,391,168	751,706				2,142,874
Judicial	583,196	276,603				859,799
Public Safety	713,991	499,783				1,213,774
Public Works	23,158	4,190,973				4,214,131
Health	14,883	246,367		30,000		291,250
Human Services	94,772	6,612,622				6,707,394
Miscellaneous	63,411	51,900			8,545	123,856
Debt Service:						
Bond Payments		18,333	137,291			155,624
Note Payments		94,252				94,252
Interest and Fiscal		40,758	78,963			119,721
Capital Outlay				759,908		759,908
Total Cash Disbursements	2,884,579	12,783,297	216,254	789,908	8,545	16,682,583
Total Receipts Over/(Under) Disbursements	(57,206)	(829,937)	(12,563)	(244,888)	39,577	(1,105,017)
Other Financing Receipts and (Disbursements):						
Proceed of Notes				388,290		388,290
Transfers-In	60,023	97,021	11,000	711		168,755
Other Financing Sources	205,893	1,100,677				1,306,570
Transfers-Out	(89,474)	(79,281)				(168,755)
Other Financing Uses	(115,285)					(115,285)
Total Other Financing Receipts/(Disbursements)	61,157	1,118,417	11,000	389,001		1,579,575
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	3,951	288,480	(1,563)	144,113	39,577	474,558
Fund Cash Balances, January 1	6,676	1,629,094	(129,513)	84,705	128,248	1,719,210
Fund Cash Balances, December 31	**$10,627**	**$1,917,574**	**($131,076)**	**$228,818**	**$167,825**	**$2,193,768**

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

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL PROPRIETARY AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Proprietary Fund Type		
	Enterprise	Agency	Totals (Memorandum Only)
Operating Cash Receipts:			
Intergovernmental Revenue	$108,367	$408,256	$516,623
Charges for Services	526,591		526,591
Total Operating Cash Receipts	634,958	408,256	1,043,214
Operating Cash Disbursements:			
Personal Services	521,543		521,543
Total Operating Cash Disbursements	521,543		521,543
Operating Income/(Loss)	113,415	408,256	521,671
Non-Operating Cash Receipts:			
Other Non-Operating Receipts	8,809	28,566,090	28,574,899
Total Non-Operating Cash Receipts	8,809	28,566,090	28,574,899
Non-Operating Cash Disbursements:			
Debt - Principal	4,830		4,830
Debt -Interest	300		300
Other Non-Operating Cash Disbursements		28,801,527	28,801,527
Total Non-Operating Cash Disbursements	5,130	28,801,527	28,806,657
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	117,094	172,819	289,913
Fund Cash Balances, January 1	44,471	1,068,807	1,113,278
Fund Cash Balances, December 31	**$161,565**	**$1,241,626**	**$1,403,191**

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, 2004

Fund Types/ Funds	**Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Governmental Fund Types:			
General Fund	$3,093,288	$3,093,289	$1
Special Revenue Funds	12,999,108	13,151,058	151,950
Debt Service Funds	214,691	214,691	0
Capital Projects Funds	1,004,296	934,021	(70,275)
Proprietary Fund Types:			
Enterprise Fund	643,767	643,767	0
Fiduciary Fund Types:			
Trust Funds	48,122	48,122	0
Totals	**$18,003,272**	**$18,084,948**	**$81,676**

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, 2004

Fund Types/ Funds	Prior Year Carryover Appropriations	2004 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/04	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund	$0	$3,147,877	$3,147,877	$3,089,338	$0	$3,089,338	$58,539
Special Revenue Funds	0	14,090,554	14,090,554	12,862,578	0	12,862,578	1,227,976
Debt Service Funds	0	175,263	175,263	216,254	0	216,254	(40,991)
Capital Projects Funds	0	1,001,663	1,001,663	789,908	0	789,908	211,755
Proprietary Fund Types:							
Enterprise Fund	0	971,504	971,504	526,673	0	526,673	444,831
Fiduciary Fund Types:							
Trust Funds	0	129,927	129,927	8,545	0	8,545	121,382
Totals	**$0**	**$19,516,788**	**$19,516,788**	**$17,493,296**	**$0**	**$17,493,296**	**$2,023,492**

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2004

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 Conversation 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.

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:

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, 2004 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.

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;

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 $3,596,959 and the bank balance was $ 3,528,740. The bank balance includes all department clearing accounts and all accounts for which the County acts as fiscal agent. Of the bank balance:

1. $200,000 was covered by federal depository insurance, by collateral held by the County, or by collateral held by a qualified third party trustee in the name of the County;

2. $3,328,740 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.

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

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepares its financial report in accordance with standards established by the Auditor of State for governmental entities not required to prepare an annual financial report in accordance with generally accepted accounting principles.

Contrary to Ohio Revised Code Section 5705.41(B), expenditures in several funds exceeded appropriations. Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the estimated resources available for expenditure from that fund as certified by the budget commission. However, appropriations exceeded estimated resources in several funds. Ohio Revised Code Section 5705.38 requires that an annual appropriation measure be passed by a subdivision's legal authority. A complete annual appropriation measure was not passed by the Board of County Commissioners. Contrary to Ohio Revised Code Section 5705.41(D), the County did not certify or record the amount against the applicable appropriation accounts for several expenditures and the County did not utilize the exceptions provided by the Ohio Revised Code.

Ohio Revised Code Section 5705.09 states that a special fund shall be established for each class of revenue derived from a source other than general property tax, which is to be used for a particular purpose. Several grants were received by the County for which separate funds were not established.

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 2002.

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, 2004, was $11.67 per $1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $9.32 per $1000 of assessed valuation for real property classified as residential/agricultural and $10.49 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, 2004 was $11.67 per $1000 of assessed valuation.

4. PROPERTY TAX (Continued)

Real Property	
Residential/Agricultural	$143,452,290
Commercial/Industrial	27,787,320
Public Utilities	243,730
Tangible Personal Property	
General	18,089,590
Public Utilities	19,463,190
Total Valuation	$209,036,120

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, 2004, consisted of the following:

General Obligation Notes	
Principal Outstanding	$1,518,097
Interest Rates	0% -5.30%
General Obligation Bonds	
Principal Outstanding	$1,831,456
Interest Rates	5.25% - 5.75%
Ohio Water Development Authority Loans	
Principal Outstanding	$456,965
Interest Rate	0-3.95%

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

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

5. DEBT OBLIGATIONS (Continued)

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2004, including interest payments are as follows:

Year Ending December 31	General Obligation Bonds	General Obligation Notes
2005	$228,538	$101,809
2006	228,227	101,817
2007	199,754	101,827
2008	196,968	101,802
2009	196,578	97,082
2010 – 2014	694,659	434,920
2015 – 2019	264,110	344,264
2020 - 2022	146,997	237,402
Total	$2,155,831	$1,520,923

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

The O.W.D.A. loans are for utility construction projects that include water quality enhancements and pollution control measures. Loan proceeds were used to upgrade the Tippecanoe Wastewater system, county wide waterline extensions and a storage yard cleanup of hazardous materials. The full faith, credit, and revenue of the County have been pledged as collateral for the debt. The amounts payable as of December 31, 2004 are expected to be repaid from charges for services collected. The County has set water rates sufficient to cover OWDA debt service requirements.

The water line extension loan has not been fully disbursed. An estimated amortization schedule is presented; however, a final schedule will be presented when all proceeds have been disbursed.

Year Ending December 31	O.W.D.A. Loans
2005	$32,939
2006	32,939
2007	32,939
2008	32,939
2009	32,939
2010 – 2014	164,696
2015 – 2019	164,696
2020 – 2024	104,588
Total	$598,675

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, 2004, 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, 2004, 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 the Health Plan. 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.

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 2004 amounted to $ 835,815.

8. DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the member directed plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The combined plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan. Under the combined plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the traditional plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and combined plans. Members of the member directed plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614)222-6705.

For the year ended December 31, 2004, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2004 was 9.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 16.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The county's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2004, 2003, 2002, were $1,336,696, $1,167,762, and $842,773, respectively; 100 percent has been contributed for 2004, 2003, 2002. Contributions to the member-directed plan for 2004 were $$467,844 made by the County and $868,852 made by the plan members.

8. DEFINED BENEFIT PENSION PLANS (Continued)

B. State Teachers Retirement System

The County participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to the STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

For the fiscal year ended December 31, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations for the fiscal years ended December 31, 2004, 2003, and 2002, were $30,169, $32,133, and $31,942, respectively; 100 percent has been contributed for 2004, 2003 and 2002.

9. POST EMPLOYMENT BENEFITS

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statue. The 2004 local government employer contribution rate was 13.55 percent of covered payroll (16.7 percent for public safety and law enforcement); 4.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2004, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the traditional and combined plans was 369,885. The actual contribution and actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2004 were $10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $26.9 billion and $16.4billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Education			
Passed through the Ohio Department of Education:			
Special Education Grants to States	84.027	6B-SF-2004	$19,612
		6B-SF-2005	10,168
Total Special Education Grants to States			29,780
Special Education Pre-School Grant	84.127	PG-S1-04	19,260
		PG-S1-05	10,727
Total Special Education Pre-School Grant			29,987
Total U.S. Department of Education			59,767
Federal Emergency Management Agency			
Passed Through the State Emergency Management Agency			
Emergency Management Performance Grant	97.042	EMC-2004-GR-7007	18,538
State Domestic Preparedness Equipment Support Grant	97.004	2004-GE-T4-0025	88,510
Public Assitance Grants	97.036	DR-1507	279,401
		DR-1579	86,532
Total Public Assistance			365,933
Total U.S. Federal Emergency Management Agency			472,981
U. S. Department of Housing and Urban Development			
Passed through the Ohio Department of Development:			
Community Development Formula Program	14.228	BF-03-031-1	81,900
		BF-02-031-1	4,500
		BC-02-031-1	95,633
		BC-01-031-1	25,550
Total Community Development Formula Program			207,583
Community Housing Improvement Program	14.239	BC-02-031-1	221,571
		BC-01-031-1	50,000
Total Community Housing Improvement Program			271,571
Total U.S. Housing and Urban Development			479,154
U. S. Department of Health and Human Services			
Passed Through the Ohio Department of Mental Retardation and Developmental Disablities			
Social Services Block Grant - Title XX	93.667	MR - 34- FY04	8,445
		MR - 34- FY05	10,087
Total Special Services Block Grant - Title XX			18,532
Community Alternative Funding	93.778	CY 04	183,394
Total U.S. Department of Health and Human Services			201,926
U.S. Department of Justice			
Community Oriented Policing Servicing (COPS) Grant	16.710	01-SHWX0238	47,275
Passed through the Ohio Attorney General			
Victims of Crime Assistance Grant	16.575	04-VAGENE272	17,306
		04-VAGENE272T	7,121
Total Victims of Crime Assistance Grant			24,427
Total U.S. Department of Justice			71,702
U.S. Department of Transportation			
Passed Through the Ohio Department of Transportation			
Grant for Other Than Urbanized Areas - Operating	20.509	RPT 4034-023-041	55,232
		RPT 0034-023-42	23,120
Total U.S. Department of Transporatation			78,352

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)

Federal Grantor/ Pass Through Grantor Program Title	CFDA Number	Pass Through Entity Number	Expenditures
U.S. Department of Labor			
Passed Through the Ohio Department of Job and Family Services			
Workforce Investment Act Grant Cluster:			
Workforce Investment Act Grant - Adult	17.258	WIA-A03	21,792
Workforce Investment Act Grant - Youth	17.259	WIA-Y03	44,875
Workforce Investment Act Grant - Dislocated Worker	17.260	WIA -DLW02	5,424
		WIA-DLW03	12,366
Total Workforce Investment - Dislocated Worker			17,790
Workforce Investment Act Grant - Administration	17.261	WIA-AD02	10,622
		WIA-AD03	192
Total Workforce Investment Act Grant - Administration			10,814
Workforce Investment Act - Rapid Response	17.260	WIA-RR04	19,388
Total Workforce Investment Act Grant Cluster Passed Through Ohio Department of Job and Family Services			114,659
Passed Through Area 16 Workforce Investment Board			
Workforce Investment Act Grant Cluster:			
Workforce Investment Act Grant - Adult	17.258	WIA -A03	1,031
		WIA-A04	12,063
Total Workforce Investment Act Grant - Adult			13,094
Workforce Investment Act Grant - Youth	17.259	WIA-Y04	27,704
Workforce Investment Act Grant - Dislocated Worker	17.260	WIA-DLW03	255
		WIA-DLW04	4,157
Total Workforce Investment Act - Dislocated Worker			4,412
Workforce Investment Act Grant - Administration	17.261	WIA-AD03	414
		WIA-AD04	1,881
Total Workforce Investment Act Grant - Administration			2,295
Workforce Investment Act Grant - Rapid Response	17.260	WIA-RR04	23,378
Workforce Investment Act Grant - Reed Act/One Stop	17.225	WIA-RA04	601
Total Workforce Investment Act Grant Cluster Passed Through Area 16 Workforce Investment Board			71,484
Total U.S. Department of Labor			186,143
Total Federal Awards Expenditures			**$1,550,025**

The notes to the Schedule of Federal Awards expenditures are an integral part of this statement.

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2004

A. 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.

B. SUBRECIPIENTS

The County passes-through certain Federal assistance received from the Ohio Department of Job and Family Services to other governments or not-for-profit agencies (subrecipients). As described in Note A, the County records expenditures of Federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these Federal Programs. Under Federal Circular A-133, the County is responsible for monitoring subrecipients to help assure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

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Auditor of State
Betty Montgomery

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Commissioners:

We have audited the financial statements of Harrison County, Ohio, (the County) as of and for the year ended December 31, 2004, wherein we noted that the County prepared its financial statements using accounting practices the Auditor of State established rather than accounting principles generally accepted in the United States of America. We also noted that we are unable to express and we do not express an opinion on the Federal Awards Expenditure Schedule. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine 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 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 the County's ability to record, process, summarize, and report financial data consistent with management's assertions in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2004-008 and 2004-009.

A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when 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 also considered material weaknesses. We consider reportable condition 2004-008 listed above to be a material weakness. In a separate letter to the County's management dated August 17, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

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Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-007. In a separate letter to the County's management dated August 17, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

Betty Montgomery

Betty Montgomery
Auditor of State

August 17, 2005

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON 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 (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 apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to 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 States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 2004-010 in the schedule of findings, the County did not comply with requirements regarding cash management applying to its Community Housing Improvement Program (CHIP) and its Community Development Block Grant Program. Compliance with those requirements is necessary, in our opinion, for the County to comply with requirements applicable to programs.

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, 2004.

Internal Control Over Compliance

The County's management 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 directly and materially affect a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted matters involving the internal control over federal compliance not requiring inclusion in this report that we have reported to the County's management in a separate letter August 17, 2005.

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

Betty Montgomery

Betty Montgomery
Auditor of State

August 17, 2005

FINANICAL CONDITION
HARRISON COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2004

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	ADVERSE
(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 material noncompliance 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**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	YES
(d)(1)(vii)	**Major Programs (list):**	**14.228** Community Development Block Grant **14.239** Community Housing Improvement Program Grant **97.036** Public Assistance (FEMA) **93.778** Community Alternative Funding
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	NO

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

Finding Number	2004-001

Non Compliance Citation

Ohio Administrative Code Section 117-2-03(B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the County prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Failure to implement GAAP reporting could result in future opinion modifications or penalties under Ohio Revised Code Section 117.38.

The County should prepare its annual financial report in accordance with generally accepted accounting principles. See AOS Audit Bulletin 2005-002 for guidance on implementation deadline dates and other compliance requirements.

Finding Number	2004-002

Non Compliance Citation

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

The following funds had expenditures which exceeded appropriations.

Fund	Appropriations	Expenditures	Variance
License Bureau	$2,350	$80,960	($78,610)
Flea Market	$688	$1,021	($333)
Housing Trust	$65,500	$102,105	($36,606)
Title XX	$15,000	$18,532	($3,532)
Preschool Grant-IDEA	$22,658	$29,987	($7,329)
Economic Development	0	$136,220	($136,220)
Prosecutor DHS Contract	$50,080	$115,115	($65,035)
County Home	0	799,683	($799,683)
Title VI-B	$27,393	$29,780	($2,387)
Local Emergency Planning Commission	$12,400	$13,280	($880)
Debt Service	175,263	216,253	($40,990)
Capital Revenue	$7,700	$19,233	($11,533)
County Home Trust	$1,500	$5,544	($4,044)

The 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 appropriations and if resources are available, the County Commissioners should approve additional appropriations prior to incurring additional expenditures.

Finding Number	**2004-003**

Non Compliance Citation

Ohio Revised Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of the estimated resources available for expenditure from that fund as certified by the budget commission on the official certificate of estimated resources.

During 2004, appropriations exceeded estimated resources in the following funds:

Fund	**Estimated Resources**	**Appropriations**	**Variance**
Harrison County Government Center Fund	$124,336	$161,869	($37,533)
Magistrate Fund	$54,940	$82,400	($27,460)
Ohio Children's Fund	$11,782	$18,907	($7,125)
Recorder's Special Equipment Fund	$26,277	$30,0000	($3,723)
Adult Restitution	0	$1,500	($1,500)
Help America Vote	$6,000	$12,000	($6,000)
Dog and Kennel	$40,764	$84,304	($43,540)
Probate Computers	$13,035	$14,000	($965)
Court Reporter Juvenile	$15,064	$21,090	($6,026)
Bicentennial Bell	$1,226	$4,350	($3,124)
Drug Law Enforcement	$375	$500	($125)
Bureau of Support	$701,306	$811,103	($109,797)
Workforce Investment Act	$0	$116,000	($116,000)
Federal Emergency Management Agency -!I	$164,835	$500,000	($335,165)
Community Housing Improvement Program	$403,520	$558,000	(154,480)
State Victim's Assistance	$35,580	$43,235	($7,655)
Community Development Block Grant	$86,557	$94,000	(7,443)
Sheriff's Levy	$363,877	$406,870	($42,993)
Law Enforcement Block Grant	$117,939	$132,833	($14,894)
Concealed Handgun	$7,010	$45,000	($37,990)
Emergency Management	$254,918	$344,070	($89,151)
Debt Service	$85,177	$175,263	($90,085)
County Water	$137,819	542,000	(404,181)

Failure to limit appropriations to the amounts 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 compare appropriations to estimated resources and if adequate resources are available for increased appropriations but have not been certified, an amended certificate of estimated resources should be submitted to the budget commission. If the resources are not available to cover the appropriations, amendments should be made to the appropriation amounts.

Finding Number	**2004-004**

Non Compliance Citation

Ohio Revised Code Section 5705.38 states that on or about the first day of the fiscal year an appropriation measure is to be passed. If the taxing authority wants to postpone the passage of the annual appropriation measure until an amended certificate is received by the budget commission based on actual year end balances, it may pass a temporary appropriation measure for meeting ordinary expenses until April 1.

A complete annual appropriation measure was not passed by the County Commissioners by April 1. Prior to April 1, the County Commissioners passed temporary appropriations every two weeks in increments of prior year expenditures but no specific amounts were passed. Permanent annual appropriations for the majority of the County funds were either passed after the required April deadline date and there were no appropriations approved for the Economic Development Fund and the County Home Fund for 2004.

Failure to establish appropriations for all funds could result in overspending and negative cash balances. To comply with budgetary requirements, the County Commissioners should pass a temporary appropriation measure to meet the needs of the County for no more than a three month period and subsequently pass a permanent appropriation measure for all County funds by April 1. The County Commissioners should continually monitor budget versus actual amounts to ensure that overspending does not occur.

Finding Number	**2004-005**

Non Compliance Citation

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 such contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

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

1. **Then and Now Certificate** – If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the County may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, is such expenditure is otherwise valid.

   If the amount involved is less the $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.

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

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

The County did not certify or record the amount against the applicable appropriation accounts for 23% of the General Fund, 51% of Special Revenue Fund type, 2% of Capital Project Fund type and 59% of Enterprise Fund type tested expenditures. The County did not utilize any of the exceptions described above for those expenditures lacking prior certification.

Failure to certify the availability of funds and encumber appropriations could result in overspending and negative cash balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the County's funds exceeding budgetary spending limitations, the County Auditor should certify that the funds are or will be available prior to obligation by the County. When prior certification is not possible, "then and now" certification should be used.

The County should certify purchases to which section Ohio Revised Code § 5705.41(D) applies. The most convenient certification method is to use purchase orders that include the certification language which Ohio Revised Code § 5705.41(D) requires to authorize disbursements. The County Auditor should sign the certification at the time the County incurs a commitment, and only when the requirements of Ohio Revised Code § 5705.41(D) are satisfied. The fiscal officer should post approved purchase commitments to the proper appropriation code, to reduce the available appropriation.

Finding Number	2004-006

Non Compliance Citation

Ohio Revised Code Section 5705.09 states that each subdivision shall establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose.

The County failed to establish a separate fund for each class of revenues derived from a source other than the general property tax, which is required to be used for a particular purpose. Grant monies were co-mingled with state and local funds in the grants listed below.

Grant	Expenditures
Community Oriented Policing Servicing (COPS) Grant	$47,275
Emergency Management Performance Grant	$18,500
Formula Grant for Other than Non Urbanized Areas	$78,352
State Domestic Preparedness Equipment Support Grant	$88,510

Failure to maintain accurate accounting records may result in disallowed program expenditures. To increase control over grant funds, the County Commissioners should establish a special fund for each grant which has been awarded to the County for a particular purpose. This will increase control over the funds and help to monitor the expenditures of the grant.

A separate fund should be maintained for each program to ensure that grant monies are accurately accounted for and are spent for the purposes for which the monies were received.

Finding Number	2004-007

Non Compliance Citation

Ohio Revised Code Section 5705.10 provides that money paid into any fund shall be used for the purpose for which it was established. At December 31, 2004, the Debt Service Fund had a deficit balance of $131,076.

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

Finding Number	2004-008

Material Weakness

Ohio Administrative Code Section 117-2-02(C)(1) states, "All local public offices should integrate the budgetary accounts, at the legal level of control or lower, into the financial accounting system. This means designing an accounting system to provide ongoing and timely information on unrealized budgetary receipts and remaining uncommitted balances of appropriations."

The County Auditor did not accurately post to the ledgers the amounts of temporary or permanent appropriations as approved by the Board of Commissioners. The amounts of temporary appropriations were not clearly stated as the Commissioners repeatedly passed 1/26th of the prior year appropriations prior to passing the annual appropriation resolution. Permanent appropriations, which were accurately posted in fund total, were not accurately posted at the legal level of control.

The County Auditor did not accurately post to the ledgers the amounts of estimated resources as certified by the County Budget Commission. The amounts posted to the receipt ledger for several funds did not equal the amounts estimated for the funds per the certificate.

As the appropriation resolution and subsequent amendments establish the legal spending authority of the County and the appropriation ledger provides the process by which the County controls spending, it is necessary that the amounts appropriated by the County Commissioners are precisely stated and accurately posted to the appropriation ledger.

As the original certificate and amendments establish the amounts available for expenditures in the County and the receipt ledger provides the process by which the County controls what is available, it is necessary that the amounts estimated by the County Budget Commission are posted accurately to the receipts ledger.

The County Commissioners should pass appropriations in specific amounts for all funds, with the amounts noted in the minute record. The County Auditor should then post approved amounts for both the appropriations and estimated revenue to the ledger. Amounts posted should then be verified to the appropriation resolution and to the Certificate of Estimated Resources for accuracy.

Finding Number	**2004-009**

Reportable Condition

Ohio Administrative Code Section 117-2-02(A) states that all public offices maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements required by the Ohio Administrative Code section 117-2-03. The County did not correctly code and classify receipts. As a result, errors occurred including the misclassification of intergovernmental revenue totaling $709,035. In addition, numerous immaterial postings of local taxes, debt proceeds and debt payments were identified but not adjusted. The County Auditor has agreed to and posted the reclassifications of intergovernmental revenue to the ledgers and these corrected amounts are reflected in the accompanying financial statements.

Failure to adopt and consistently follow a uniform chart of accounts increases the possibility that the County will not be able to identify, assemble, analyze, classify, record and report its transactions correctly or to document compliance with finance-related legal and contractual requirements, The Auditor should review the chart of accounts suggested in Ohio Administrative Code section 117-5-01. All transactions should be properly coded and classified according to the adopted chart of accounts to help ensure financial activity of the County is accurately recorded and reported.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	**2004-0010**
CFDA Title and Number	Community Housing Improvement Program 14.239 Community Development Block Grant 14.228
Federal Award Number / Year	B-F-03-031-1 CDBG B-C-02-031-1 CDBG
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 the fifteen day rule for the Community Development Block Grant when they received the following drawdowns:

Drawdown #	Amount	Amount Spent Within 15 days	Balance Remaining After 15 days
208	$39,000	$13,178	$25,822
210	$18,500	$2,396	$16,104
211	$28,750	$16,500	$12,250

The County violated the 15 day rule for the Community Housing Improvement Program when they received the following drawdowns:

Drawdown #	Amount	Amount Spent Within 15 days	Balance Remaining After 15 days
207	$25,764	$14,461	$11,303
208	$22,645	$12,320	$10,325
209	$38,100	$0	$38,100
211	$52,572	$14,507	$38,064

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 draw downs 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.

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2004

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***
2003-001	Ohio Adm. Code 117-2-03 (B), failure to report on GAAP basis	No	Re-issued as Finding 2004-001
2003-002	ORC 5705.39, appropriations exceeded estimated resources	No	Re-issued as Finding 2004-003
2003-003	ORC 5705.41 (B), expenditures exceeded appropriations	No	Re-issued as Finding 2004-002
2003-004	ORC 5705.41(D), failure to encumber	No	Re-issued as Finding 2004-005
2003-005	Failure to post appropriations to system	No	Re-issued as Finding 2004-007
2003-006	Failure to establish a separate fund for each federal grant.	No	Re-issued as Finding 2004-006.
2003-007	WIA Regulation 20 CFR 667.410, failure to monitor subrecipients	Yes	Hired consultant to monitor sub recipients.
2003-008	20 CFR 664.320, questioned costs of $21,344 for WIA Youth Program	No	Partially corrected,
2003-009	DJFS failed to present supporting documentation to substantiate indirect costs.	Yes	Department is preparing random moment sampling reports to determine indirect costs.

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FINANCIAL CONDITION

HARRISON COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2005