FINANCIAL CONDITION
HARRISON COUNTY

SINGLE AUDIT
FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

FINANCIAL CONDITION
HARRISON COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Harrison County
100 West Market Street
Cadiz, OH 43907

To the Board of Commissioners:

We have audited the accompanying financial statements of Harrison County, Ohio (the County) as of and for the year ended December 31, 2003. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, as discussed in Note 1, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, can not be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of Harrison County as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Our audit was performed for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Betty Montgomery

Betty Montgomery
Auditor of State

May 26, 2004

FINANCIAL CONDITION
HARRISON COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003

	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	$1,677,774	$1,030,875		$60,299		$2,768,948
Licenses and Permits	1,969					1,969
Intergovernmental Receipts	328,590	7,605,100	$148,916	406,924		8,489,530
Charges for Services	356,985	2,074,167				2,431,152
Fines and Forfeitures	218,677	31,113				249,790
Special Assessments		70,542				70,542
Other Revenue	140,453	908,391	36,827	51,510	$6,626	1,143,806
Total Cash Receipts	2,724,448	11,720,188	185,743	518,733	6,626	15,155,738
Cash Disbursements:						
General Government						
Legislative and Executive	1,326,127	857,689				2,183,816
Judicial	569,457	365,673				935,130
Public Safety	691,756	576,241				1,267,997
Public Works	14,317	3,191,511				3,205,828
Health	14,678	406,391		126,676		547,745
Human Services	92,036	6,438,368				6,530,404
Miscellaneous	53,538	62,001			4,017	119,556
Debt Service:						
Bond Payments		9,185	134,655			143,840
Note Payments		115,271				115,271
Interest and Fiscal		17,725	106,808			124,533
Capital Outlay				1,012,376		1,012,376
Total Cash Disbursements	2,761,909	12,040,055	241,463	1,139,052	4,017	16,186,495
Total Receipts Over/(Under) Disbursements	(37,461)	(319,867)	(55,720)	(620,319)	2,609	(1,030,757)
Other Financing Receipts and (Disbursements):						
Proceed of Notes				527,129		527,129
Transfers-In		28,943				28,943
Other Financing Sources	214,540	736,710			1,126	952,376
Transfers-Out	(28,781)	(162)				(28,943)
Other Financing Uses	(184,982)					(184,983)
Total Other Financing Receipts/(Disbursements)	777	765,491		527,129	1,126	1,294,522
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(36,684)	445,624	(55,720)	(93,190)	3,735	263,764
Fund Cash Balances, January 1	43,360	1,298,977	(73,792)	177,895	124,513	1,570,953
Fund Cash Balances, December 31	**$6,676**	**$1,744,601**	**($129,512)**	**$84,705**	**$128,248**	**$1,834,717**

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, 2003

	Proprietary Fund Type	Fiduciary Fund Type	
	Enterprise	**Agency**	**Totals (Memorandum Only)**
Operating Cash Receipts:			
Charges for Services	$543,049		$543,049
Total Operating Cash Receipts	543,049		543,049
Operating Cash Disbursements:			
Personal Services	228,293		228,293
Fringe Benefits	74,132		74,132
Contractual Services	97,028		97,028
Supplies and Materials	73,172		73,172
Capital Outlay	351,366		351,366
Total Operating Cash Disbursements	823,991		823,991
Operating Income/(Loss)	(280,942)		(280,942)
Non-Operating Cash Receipts:			
Intergovernmental Revenue	275,798		275,798
Other Non-Operating Receipts		$23,321,592	23,321,592
Proceeds of Notes	121,620		121,620
Total Non-Operating Cash Receipts	397,418	23,321,592	23,719,010
Non-Operating Cash Disbursements:			
Debt - Principal	24,470		24,470
Debt -Interest	16,083		16,083
Other Non-Operating Cash Disbursements		23,162,945	23,162,945
Total Non-Operating Cash Disbursements	40,553	23,162,945	23,203,498
Excess of Receipts Over/(Under) Disbursements Before Interfund Transfers and Advances	75,923	158,647	234,570
Transfers-In	23,194		23,194
Transfers-Out	(23,194)		(23,194)
Net Receipts Over/(Under) Disbursements	75,923	158,647	234,570
Fund Cash Balances, January 1	(31,452)	794,653	763,201
Fund Cash Balances, December 31	**$44,471**	**$953,300**	**$997,771**

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, 2003

Fund Types/ Funds	**Budget**	**Actual**	**Variance Favorable (Unfavorable)**
Governmental Fund Types:			
General Fund	$2,925,394	$2,938,988	$13,594
Special Revenue Funds	12,914,824	12,485,841	(428,983)
Debt Service Funds	207,442	185,743	(21,699)
Capital Projects Funds	929,214	1,045,862	116,648
Proprietary Fund Types:			
Enterprise Fund	926,700	963,661	36,961
Fiduciary Fund Types:			
Trust Funds	6,275	7,752	1,477
Totals	$17,909,849	$17,627,847	($282,002)

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

HARRISON COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES
BUDGET AND ACTUAL COMPARED WITH EXPENDITURE AUTHORITY
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types/ Funds	Prior Year Carryover Appropriations	2003 Appropriations	Totals	Actual Disbursements	Encumbrances Outstanding At 12/31/03	Totals	Variance Favorable (Unfavorable)
Governmental Fund Types:							
General Fund		$3,141,059	$3,141,059	$2,975,672		$2,975,672	$165,387
Special Revenue Funds		12,607,251	12,607,251	12,040,217		12,040,217	567,034
Debt Service Funds		67,200	67,200	241,463		241,463	(174,263)
Capital Projects Funds		1,077,846	1,077,846	1,139,052		1,139,052	(61,206)
Proprietary Fund Types:							
Enterprise Fund		962,140	962,140	887,738		887,738	74,402
Fiduciary Fund Types:							
Trust Funds				4,017		4,017	(4,017)
Totals	$0	$17,855,496	$17,855,496	$17,288,159	$0	$17,288,159	$567,337

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

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

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 Funds

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

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, 2003 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 $ 2,832,488 and the bank balance was $ 3,686,855. The bank balance includes all department clearing accounts and all accounts for which the County acts as fiscal agent. Of the bank balance:

1. $168,299 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. $3,518,556 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

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

Fund	Appropriations	Estimated Resources	Variance
CHIP Grant Fund	$561,670	$211,189	($350,481)
County Home Fund	$797,900	$690,401	($107,499)
Ambulance Replacement Fund	$173,000	$131,475	($41,525)

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

Fund	Expenditures	Appropriations	Variance
Government Center Fund	$93,069	$77,068	($16,001)
Debt Service Fund	$263,164	$67,200	($195,964)
Rural Transit Fund	$387,932	$10,000	($377,932)
County Home Trust Fund	$1,517	$0	($1,517)

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

4. PROPERTY TAX

Real property taxes are levied on assessed values which equal 35% of appraised value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed for tax year 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.

4. PROPERTY TAX (Continued)

The full tax rate applied to real property for the fiscal year ended December 31, 2003, was $11.67 per $1000 of assessed valuation. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $9.35 per $1000 of assessed valuation for real property classified as residential/agricultural and $9.52 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, 2003 was $11.67 per $1000 of assessed valuation.

Real Property	
Residential/Agricultural	$ 141,157,060
Commercial/Industrial	27,836,250
Public Utilities	239,410
Tangible Personal Property	
General	18,095,220
Public Utilities	19,673,450
Total Valuation	$ 207,001,390

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, 2003, consisted of the following:

General Obligation Notes	
Principal Outstanding	$1,215,673.41
Interest Rates	0% -5.30%
General Obligation Bonds	
Principal Outstanding	$1,990,227
Interest Rates	5.25% - 5.75%
Ohio Water Development Authority Loans	
Principal Outstanding	$466,427
Interest Rate	3.20%

5. DEBT OBLIGATIONS (Continued)

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

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. The 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, 2003 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 not presented; however, a final schedule will be presented when fully disbursed.

The annual requirements to amortize all general obligation debt outstanding as of December 31, 2003, including interest payments are as follows:

Year Ending December 31	General Obligation Bonds	General Obligation Notes
2004	$ 216,817	$ 64,361
2005	226,838	82,449
2006	226,527	82,449
2007	201,393	82,449
2008	194,928	82,414
2009 – 2013	780,006	374,504
2014 – 2018	249,857	249,591
2019 - 2023	204,157	200,498
Total	$2,300,523	$1,218,715

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.

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.

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 2003 amounted to $1,151,705.

8. DEFINED BENEFIT PENSION PLANS

A. Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The traditional plan is 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 fives 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, 2003, 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 contributed10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County’s contribution rate for pension benefits for 2003 was 13.55 percent, except for those plan members in law enforcement of 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, 2003, 2002, 2001, were $1,167,762, $842,773, and 909,142, respectively; 100 percent has been contributed for 2003, 2002, 2001. Contributions to the member-directed plan for 2003 were $401,879 made by the County and $765,883 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 STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371 or by calling (614) 227-4090.

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 June 30, 2003, plan members were required to contribute 9.3 percent of their annual covered salaries. The county was required to contribute 14 percent; ***13*** percent was the portion used to fund pension obligations. For the fiscal year 2002, the portion used to fund pension obligations was 9.5 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County required contributions for pension obligations for the fiscal years ended December 31, 2003, 2002, and 2001 were $32,133, $31, 942, and $30,632 respectively; 100 percent has been contributed for fiscal year 2003 and 100 percent for fiscal years 2002 and 2001.

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FINANCIAL CONDITION
HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003

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-2003	$19,608
		6B-SF-2004	1,711
Special Education Grants to States Total			21,319
Special Education Pre-School Grant	84.127	PG-S1-03	17,031
		PG-S1-04	2,740
Special Education Pre-School Grant Total			19,771
Total U.S. Department of Education			41,090
Federal Emergency Management Agency			
Passed Through the State Emergency Management Agency:			
Emergency Management Performance Grant	97.042	FY03	17,792
State Domestic Preparedness Equipment Support Grant	97.004	FY03	83,066
Public Assistance Grant	97.036	FY 03	29,955
Total U.S. Federal Emergency Management Agency			130,813
U. S. Department of Housing and Urban Development			
Passed through the Ohio Department of Development:			
Community Development Formula Program	14.228	B-F-02-031-1	109,429
		B-C-01-031-1	38,516
		B-C-02-031-1	58,203
Community Development Formula Program Total			206,148
Community Housing Improvement Program	14.239	BC-01-031-2	64,804
		BC-02-031-2	48,888
Community Housing Improvement Program Total			113,692
Total U.S. Housing and Urban Development			319,840
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- FY03	11,500
		MR - 34- FY04	7,503
Special Services Block Grant - Title XX Total			19,003
Medicaid Assistance Program	93.778	CY 03	210,687
Total U.S. Department of Health and Human Services			229,690
U.S. Department of Justice			
Community Oriented Policing Servicing (COPS) Grant	16.710	01-SHWX0238	45,585
Laptop Computers for Cruisers	16.592	03-RU-R59-9136	22,193
Passed through the Ohio Attorney General 's Office			
Victims of Crime Assistance Grant	16.575	03-VAGENE272	16,940
		03-VAGENE272T	7,301
Victims of Crime Assistance Grant Total			24,241
Total U.S. Department of Justice			92,019
U.S. Department of Transportation			
Passed Through the Ohio Department of Transportation			
Grant for Other Than Urbanized Areas - Operating	20.509	RPT 4034-022-031	79,906
Total U.S. Department of Transporatation			79,906

FINANICAL CONDITION
HARRISON COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(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 Cluster:			
Workforce Investment Act - Adult Administrative	17.258	WIA-A03	684
Workforce Investment Act Grant - Adult			72,836
Workforce Investment Act - Adult Total			73,520
Workforce Investment Act Grant - Youth Adminstrative	17.259	WIA-Y03	852
Workforce Investment Act Grant - Youth			88,245
Workforce Investment Act Grant - Youth Adminstrative		WIA-Y04	226
Workforce Investment Act Grant - Youth			23,147
Workforce Investment Act - Youth Total			112,470
Workforce Investment Act Grant - Dislocated Worker Administrative	17.260	WIA -Y03	312
Workforce Investment Act Grant - Dislocated Worker			32,732
Workforce Investment Act Grant - Dislocated Worker Total			33,044
Total Workforce Investment Act Cluster			219,034
Total U.S. Department of Labor			219,034
Total Federal Awards Expenditures			**$1,112,392**

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

FINANCIAL CONDITION
HARRISON COUNTY

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
DECEMBER 31, 2003

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. MEDICAID –METHOD OF EXPENDITURES REPORTING FOR COUNTY MENTAL HEALTH

The Title XIX Medicaid receipts and expenditures for the County Mental Health Board are reported on the Schedule in the following manner. Receipts are reported when reimbursements from the Ohio Department of Mental Health (ODMH) are received in to the County Mental Health Board Medicaid Fund. Expenditures are reported when the reimbursement amount, from ODMH, is transferred from the County Mental Health Board Medicaid Fund to the County Mental Health Board General Fund, which made the initial expenditure.

C. SUBRECIPIENTS

Of the federal expenditures presented on the Schedule, Harrison County provided federal awards to subrecipients as follows:

Cluster/Program Title	CFDA Number	Amount Provided To Subrecipients
Workforce Investment Act Cluster/Adult	17.258	$13,278
Workforce Investment Act Cluster/Youth	17.259	$103,067
Workforce Investment Act Cluster/Dislocated Worker	17.260	$9,631

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Auditor of State
Betty Montgomery

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

Harrison County
100 West Market Street
Cadiz, Ohio 43907

To the Board of Commissioners:

We have audited the financial statements of Harrison County, Ohio (the County) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 26,2004, which noted the County prepares its financial statements on a basis other than that prescribed by Ohio Administrative Code Section 117-2-03(B). We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 2003-001 through 2003-006. We also noted certain instances of noncompliance, which we have reported to the management of the County in a separate letter dated May 26, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2003-005.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not believe that item 2003-005 described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do no require inclusion in the is report that we have reported to management of the County in a separate letter dated May 26, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

May 26, 2004

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

Harrison County
100 West Market
Cadiz, Ohio 43907

To The Board of Commissioners:

Compliance

We have audited the compliance of Harrison County, Ohio (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 2003-007 through 2003-009 in the accompanying schedule of findings and questioned costs, Harrison County did not comply with the subrecipient, earmarking and allowable costs/cost principal requirements regarding the Workforce Investment Act Cluster. Compliance with such requirements is necessary, in our opinion, for Harrison County to comply with requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, Harrison County did not comply in all material respects with the requirements referred to above that are applicable to the Workforce Investment Act Program. Also, in our opinion, Harrison County complied, in all material respects with the requirements referred to above that are applicable to each of its other major federal programs for the year ended December 31, 2003. We also noted a certain instance that does not require inclusion in this report that we have reported to the management of County in a separate letter dated May 26, 2004.

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

Internal Control Over Compliance

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

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. However, we noted other matters involving control over federal compliance that do not require inclusion in this report that we have reported to management of the entity in a separate letter dated May 26, 2004.

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

Betty Montgomery
Auditor of State

May 26, 2004

FINANCIAL CONDITION
HARRISON COUNTY

SCHEDULE OF FINDINGS & QUESTIONED COSTS
***OMB* CIRCULAR A-133 § .505**
DECEMBER 31, 2003

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion.	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level. (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level. (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion.	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list)	Work Investment Act Cluster CFDA #17.258-17.260 Community Development Block Grant CFDA #14.228 Medicaid Assistance Program CFDA #93.778
(d)(1)(viii)	Dollar Threshold: Type A/B Programs:	A>$300,000 B-All Remaining Programs
(d)(1)(ix)	Low Risk Auditee?	No

SCHEDULE OF FINDINGS & QUESTIONED COSTS
***OMB* CIRCULAR A-133 § .505**
DECEMBER 31, 2003
(Continued)

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

Finding Number	**2003-001**

Ohio Administrative Code § 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 Rev. Code Section 117.38.

The County should implement GAAP reporting. See AOS Audit Bulletin 2003-006 for guidance on implementation deadline dates and other compliance requirements.

Finding Number	**2003-002**

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

During 2003, the following funds had appropriations, which exceeded estimated resources.

Fund	**Appropriations**	**Estimated Resources**	**Variance**
CHIP Grant Fund	$561,670	$211,189	$350,481
County Home Fund	$797,900	$690,401	$107,499
Ambulance Replacement Fund	$173,000	$131,475	$41,525

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

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

Finding Number	**2003-003**

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

The following funds had expenditures which exceeded appropriations.

Fund	Disbursements	Appropriations	Variance
Government Center Fund	$93,069	$77,068	($16,001)
Debt Service Fund	$263,164	$67,200	($195,964)
Rural Transit Fund	$387,932	$10,000	($377,932)
County Home Trust Fund	$1,517	$0	($1,517)

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 appropriation authority and if resources are available, additional appropriations should be approved by the County Commissioners prior to incurring additional expenditures.

Finding Number	**2003-004**

Ohio Revised Code § 5705.41 (D) provides that no subdivision shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon. This section also provides two "exceptions" to the above requirement:

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

B. If the amount involved is less than one hundred dollars ($100) the fiscal officer may authorize payment through a Then and Now Certificate without affirmation of the Board of Commissioners, if such expenditure is otherwise valid.

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

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

Finding Number	**2003-005**

Ohio Revised Code § 5705.38 states that on or about the first day of each 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 from 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 established by the Board of County Commissioners based on actual prior year expenditures. In addition, annual appropriations for certain funds were either passed after the required April 1 deadline date or were not formally passed at all. Specifically, the appropriations for the Capital Improvement Fund and the Rural Transit Fund were passed in December 2003.

The County Auditor did not post the temporary amounts of appropriations to the ledgers and some of the permanent appropriation amounts were posted well beyond their date of approval.

Failure to establish appropriations for all funds and to post the appropriations to the ledgers could result in overspending and negative cash balances. To comply with budgetary requirements established by the Ohio Revised Code, 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 then pass a permanent appropriation measure for all County funds by April 1. To effectively control the budgetary cycle and to maintain accountability over County expenditures, the County Auditor should post to the ledgers, on a timely basis, appropriation amounts as passed by the Commissioners. The County Commissioners should also monitor budget versus actual reports to ensure supplemental and amended appropriations have been properly posted.

Finding Number	**2003-006**

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

During 2003, the County did not establish a Workforce Investment Act Fund, Victims of Crime Assistance Grant Fund, Laptop Computers for Cruisers Fund, Community Oriented Policing Servicing Fund, Medicaid Assistance Fund, Social Services Block Grant Fund, Public Assistance Grant Fund, State Domestic Preparedness Equipment Support Grant Fund, Emergency Management Performance Grant, Special Education Pre-School Grant Fund and Special Education Grants to State Fund to record the corresponding receipt and expenditure activity associated with these federal grants. As a result, individual federal grant activity could not be readily identified. The County should create a separate fund to account for each state and federal grant and refer to Auditor of State Bulletin 2000-08 for additional guidance.

A separate fund should be maintained for each federal program to provide reasonable assurance that the County is managing federal awards in compliance with laws, regulations and the provisions of grant agreements that could have a material effect on each of its federal programs.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	**2003-007**

CFDA Title and Number	**WORKFORCE INVESTMENT ACT (WIA) CLUSTER 17.258, 17.259, 17.260**
Federal Award Number	**WIA-A03, WIA-Y03, WIA-Y04**
Federal Agency	**U.S. DEPARTMENT OF LABOR**
Pass-Through Agency	**OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES**

Failure to Monitor Subrecipients

20 CFR 667.410 requires each recipient to conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to: (1) Determine that expenditures have been made against the cost categories and within the cost limitations specified in the Act and the regulations in this part; (2) Determine whether or not there is compliance with other provisions of the Act and the WIA regulations and other applicable laws and regulations; and (3) Provide technical assistance as necessary and appropriate. The Harrison County Department of Job and Family Services (DJFS) failed to monitor subrecipient contracts totaling $125,976 during the current or preceding program year. In addition, the Harrison County DJFS has not adopted formal policies and procedures for monitoring subrecipients. Failure to conduct subrecipient monitoring in accordance with WIA laws and regulations could expose the agency to questioned or unallowed costs.

The Harrison County DJFS should develop a formal written monitoring policy which will meet the requirements of applicable regulations. The policy should include, but not be limited to, the following:

- Identification of the monitoring scope/plan
- Frequency of on-site monitoring
- Position responsible for performing the monitoring function
- Time frames for issuing reports to the Board and other interesting parties
- Monitoring resolution procedures to include time frames

Finding Number	**2003-008**

CFDA Title and Number	**WORKFORCE INVESTMENT ACT (WIA) CLUSTER 17.258, 17.259, 17.260**
Federal Award Number	**WIA-A03, WIA-Y03, WIA-Y04**
Federal Agency	**U.S. DEPARTMENT OF LABOR**
Pass-Through Agency	**OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES**

Earmarking

20 CFR 664.320 states that 30 percent of all youth funds allocated to a local area under WIA section 128(b)(2)(A) or (b)(3), except for local area expenditures for administrative purposes under 20 CFR 667.210(a)(2) be used to provide activities to out-of-school youth.

For program year 2001 (7/1/02 thru 6/30/03) the county allocated $85,613 for the WIA Youth Program, of which $24,828 should have been spent on Out of School Youth services. Per the PETFIN2 expenditure reports, only $3,484 was spent on out of school youth services. As a result, the following expenditures were questioned:

Amount required to be spent:	**$ 24,828**
Amount spent:	**(3,484)**
Questioned Costs	**$ 21,344**

The portion of the WIA allocation that is to be spent on providing Out of School Youth services should be allocated in accordance with the above mentioned provisions within the program budget. Program expenditures should then be monitored and compared to the budget to assure that the County is in compliance with earmarking requirements.

Finding Number	**2003-009**

CFDA Title and Number	**WORKFORCE INVESTMENT ACT (WIA) CLUSTER 17.258, 17.259, 17.260**
Federal Award Number	**WIA-A03, WIA-Y03, WIA-Y04**
Federal Agency	**U.S. DEPARTMENT OF LABOR**
Pass-Through Agency	**OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES**

Allowable Costs/Cost Principles

Office of Management and Budget (OMB) Circular A-87, Attachment C, subsection A1 provides in part that there needs to be a process whereby indirect costs such as salaries, rent, utilities, etc. can be identified and assigned to benefited activities on a reasonable and consistent basis. A central service cost allocation plan should be used to perform this process. All costs and other data used to distribute the costs included in the plan should be supported by formal accounting and other records that will support the propriety of the costs assigned to Federal awards.

The Harrison County DJFS had indirect costs totaling $21,297 during the audit period. However, the Department failed to present any supporting documentation (random moment sampling reports, allocation procedures, etc.) to substantiate the indirect costs. As a result, these costs are questioned.

The Random Moment Sampling Reports provide a method to accurately account for charges to specific cost pools used in calculating allowable indirect cost rates. The Department should prepare Random Moment Sampling Reports and maintain supporting documentation to determine the whether the amount of indirect costs charged to WIA programs is allowable.

FINANCIAL CONDITION
HARRISON COUNTY

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	**Finding Summary**	**Fully Corrected ?**	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2003-001	OAC Code 117-2-03 (B), failure to report on a GAAP basis	No	Reissued as Finding 2003-001
2003-002	Ohio Revised Code § 5705.39, appropriations exceeded Estimated Resources	No	Reissued as Finding 2003-002
2003-003	Ohio Revised Code § 5705.41(B), expenditures exceeded appropriations	No	Reissued as Finding 2003-003
2003-004	Ohio Revised Code § 5705.41 (D), failure to properly certify expenditures	No	Reissued as Finding 2003-004
2003-005	Ohio Revised Code §117.28, finding for recovery against Harry and Judith Gibson, property owners and George Campbell, County Treasurer in the amount of $3,000	Yes	
2003-006	Ohio Revised Code §117.28, finding for recovery against John D. Worley, property owner and George Campbell, County Treasurer in the amount of $3,901.34	Partially Corrected	County Prosecutor has filed a claim against the Treasurer's Bond
2003-007	Ohio Revised Code 133.15, issuing debt without the approval of the Board of County Commissioners	Yes	
2003-008	Failure to reconcile depository balances with fund balances on a regular basis.	Yes	
2003-009	Ohio Department of Development Office of Housing and Community Partnership Financial Management Rules (A)(3) (f), failure to disburse funds on hand within fifteen days of receipt	Yes	

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

FINANCIAL CONDITION

HARRISON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 12, 2004