



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
HARDIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Financial Condition
Hardin County
One Courthouse Square, Suite 250
Kenton, Ohio 43326

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units, HARCO Industries, Inc. which represents 39 and 21 percent respectively, and Hardin County Housing Development, Inc. which represents 1 percent and 9 percent, respectively, of the assets/net assets and revenues of the component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, HARCO Industries, Inc. and Hardin County Housing Development, Inc. is based on the reports of other auditors.

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. The other auditors audited the financial statements of HARCO Industries in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. 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 our audit and the reports of other auditors provide a reasonable basis for our opinions.

Ohio Administrative Code § 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 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, as of December 31, 2009, and the respective changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As disclosed in Note 16, the County restated the January 1, 2009 Net Assets of the Governmental and Business Type Activities and Fund Balances of the Hardin Hills and Other Governmental Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2010, 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.

Management's discussion and analysis and the respective budgetary comparison for the General, Pike Repair, Job and Family Services, and Hardin County Board of Developmental Disabilities (HCBDD) Funds are not a required part of the basic financial statements but are supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures 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*, and is also not a required part of the basic financial statements. We subjected the Schedule of Federal Awards Expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Mary Taylor, CPA
Auditor of State

August 31, 2010

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED**

The discussion and analysis of Hardin County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2009, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2009 are as follows:

Overall:

- Total net assets increased \$371,111 with Governmental Activities increasing by \$206,953 and Business-Type Activities increasing by \$164,158. The increase in Governmental net assets was not significant. The increase in Business-Type Activity net assets was primarily the result of increase in Charges for Services receipts at Hardin Hills.
- Total cash receipts were \$30,623,274 in 2009.
- Total cash disbursements were \$30,252,163 in 2009.

Governmental Activities:

- Total program cash receipts were \$16,885,458 in 2009, while program cash disbursements were \$25,336,982.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$14,034,008 in 2009.

Business-Type Activities:

- Program cash receipts were \$4,790,563 for Business Activities, while corresponding cash disbursements were \$4,790,181. Hardin Hills contributed significantly to the increase in Net Assets in the business-type activities.

Using this Basic Financial Report

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the County's cash basis of accounting.

The *Statement of Net Assets-Cash Basis* and *Statement of Activities-Cash Basis* provide information about the activities of the whole County, presenting an aggregate view of the County's cash basis finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the County's most significant funds with all other non-major funds presented in total in one column.

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which Hardin County is fiscally responsible. These activities, defined as the County's reporting entity, are operated within separate legal entities that make up the primary government.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

In the Statement of Net Assets and the Statement of Activities, the County is divided into two distinct kinds of activities:

Governmental Activities - Most of the County's programs and services are reported here including general government, public safety, public works, health, human services, economic development and debt service.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the cash disbursements of the goods or services provided. The County's nursing home (Hardin Hills), the Waste Transfer Station, and operation of three sewer districts are all reported as business activities.

Reporting the County's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's most significant funds that have been presented as major governmental funds are the General Fund, the Pike Repair Fund, the Job and Family Services Fund and the Hardin County Board Developmental Disabilities (DD) Fund.

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed *view* of the County's general government operations and the basic services it provides.

Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2009 compared to the prior year:

**Table 1
Net Cash Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Equity in Pooled Cash & Cash Equivalents	\$8,029,214	\$7,881,625	\$1,794,772	\$1,630,614	\$ 9,823,986	\$ 9,512,239
Cash & Cash Equivalents in Segregated Accounts	29,168	28,868			29,168	28,868
Cash With Fiscal Agent	545,458	486,394			545,458	486,394
Total Assets	8,603,840	8,396,887	1,794,772	1,630,614	10,398,612	10,027,501
Net Cash Assets						
Restricted	7,676,619	7,658,641			7,676,619	7,658,641
Unrestricted	927,221	738,246	1,794,772	1,630,614	2,721,993	2,368,860
Total Net Cash Assets - (Restated - Note 16)	\$8,603,840	\$8,396,887	\$1,794,772	\$1,630,614	\$10,398,612	\$10,027,501

Total net assets increased \$371,111 with Governmental Activities increasing by \$206,953 and Business-Type Activities increasing by \$164,158.

Table 2 shows the changes in cash net assets for 2009 and 2008:

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Cash Receipts:						
Charges for Services	\$4,842,843	\$4,732,884	\$4,783,228	\$4,481,893	\$ 9,626,071	\$ 9,214,777
Operating Grants & Contributions	11,036,664	9,998,081	7,335	5,595	11,043,999	10,003,676
Capital Grants & Contributions	1,005,951	869,462			1,005,951	869,462
Total Program Cash Receipts	16,885,458	15,600,427	4,790,563	4,487,488	21,676,021	20,087,915

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

**Table 2
Changes in Net Assets
(Continued)**

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General Cash Receipts & Transfers:						
Property Taxes:						
General Purpose	1,108,439	1,056,913			1,108,439	1,056,913
911- Public Safety	268,675	225,716			268,675	225,716
MRDD - Human Service	1,712,775	1,817,453			1,712,775	1,817,453
Sales Taxes	3,099,270	3,273,500			3,099,270	3,273,500
Special Assessments			48,442		48,442	
Proceeds of Bonds	711,600				711,600	
Grants and Entitlements Not Restricted	1,057,406	1,556,375			1,057,406	1,556,375
Interest Receipts	241,965	719,697			241,965	719,697
Sale of Assets	30,028	40,079	9,871		39,899	40,079
OPWC Loan Proceeds		191,768				191,768
Miscellaneous	503,319	610,450	30,463	45,893	533,782	656,343
Transfers/Advances (Net)	(75,000)	(78,850)	75,000	78,850		
Total General Cash Receipts & Transfers	<u>8,658,477</u>	<u>9,413,101</u>	<u>163,776</u>	<u>124,743</u>	<u>8,822,253</u>	<u>9,537,844</u>
Total Cash Receipts and Transfers	<u>25,543,935</u>	<u>25,013,528</u>	<u>4,954,339</u>	<u>4,612,231</u>	<u>30,498,274</u>	<u>29,625,759</u>
Cash Disbursements:						
Program Cash Disbursements:						
General Government:						
Legislative and Executive	3,200,516	3,179,589			3,200,516	3,179,589
Judicial	2,047,101	2,048,791			2,047,101	2,048,791
Public Safety	4,028,083	2,931,468			4,028,083	2,931,468
Public Works	6,000,706	5,825,412			6,000,706	5,825,412
Health	377,114	445,813			377,114	445,813
Human Services	8,033,302	8,004,545			8,033,302	8,004,545
Conservation and Recreation	387,487	208,872			387,487	208,872
Economic Development	746,776	508,320			746,776	508,320
Capital Outlay		2,622,574				2,622,574
Debt Service:						
Principal Retirement	479,524	293,712			479,524	293,712
Interest and Fiscal Charges	36,373	43,603			36,373	43,603
Proprietary Funds			4,790,181	4,434,399	4,790,181	4,434,399
Total Cash Disbursements	<u>25,336,982</u>	<u>26,112,699</u>	<u>4,790,181</u>	<u>4,434,399</u>	<u>30,127,163</u>	<u>30,547,098</u>
Increase (Decrease) In Net Cash Assets	206,953	(1,099,171)	164,158	177,832	371,111	(921,339)
Net Cash Assets at Beginning of Year - (Restated – Note 16)	8,396,887	9,496,058	1,630,614	1,452,782	10,027,501	10,948,840
Net Cash Assets at End of Year	<u>\$8,603,840</u>	<u>\$8,396,887</u>	<u>\$1,794,772</u>	<u>\$1,630,614</u>	<u>\$10,398,612</u>	<u>\$10,027,501</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and must return to voters to maintain a constant level of service. Property taxes and sales taxes each make up 12 percent of cash receipts of governmental activities for Hardin County in fiscal year 2009. Operating grants and contributions made up 43 percent of cash receipts of governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Eighty percent of human services activities are supported through charges for services and operating grants and contributions. General cash receipts provide 33 percent of the support for the total governmental cash disbursements as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Hardin County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

**Table 3
Total Cost of Program Services
Governmental Activities and Business-Type Activities**

	<u>Total Cost of Services</u>		<u>Net Cost of Services</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Cash Disbursements - (Restated - Note 16)				
Program Cash Disbursements:				
General Government:				
Legislative and Executive	\$ 3,200,516	\$ 3,179,589	(\$2,227,856)	(\$ 2,074,555)
Judicial	2,047,101	2,048,791	(1,347,663)	(1,110,493)
Public Safety	4,028,083	2,931,468	(1,993,432)	(2,412,558)
Public Works	6,000,706	5,825,412	(700,711)	(523,038)
Health	377,114	445,813	305,827	174,417
Human Services	8,033,302	8,004,545	(1,605,087)	(1,575,940)
Conservation and Recreation	387,487	208,872	380,071	483,699
Economic Development	746,776	508,320	(746,776)	(508,320)
Capital Outlay		2,622,574		(2,616,979)
Debt Service:				
Principal Retirement	479,524	293,713	(479,524)	(293,713)
Interest and Fiscal Charges	36,373	43,602	(36,373)	(43,602)
Total Cash Disbursements - Governmental	<u>\$25,336,982</u>	<u>\$26,112,699</u>	<u>(\$8,451,524)</u>	<u>(\$10,501,082)</u>
Business-Type Activities:				
Proprietary Funds	<u>\$ 4,790,181</u>	<u>\$4,434,399</u>	<u>\$382</u>	<u>\$121,813</u>

Business-type activities are supported by program cash receipts. During 2009, program cash receipts exceeded program cash disbursements, which resulted in the above increase of \$382.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$26,868,144 and cash disbursements and other financing uses of \$26,661,191. The net change in the General Fund balance for the year increased where the cash balance went from \$738,246 in 2008 to \$927,221 for 2009. This increase was primarily the result of an increase in advances in to the General Fund being greater than the advances out and transfers out. The Pike Repair Fund did not see a significant change in fund balance for the year. The Job and Family Services Fund balance decreased \$9,644 as a result of expenditures greater than revenues, however, the decrease was significantly less than in 2008. The Hardin County Board of Developmental Disabilities Fund balance increased \$181,572 primarily as a result of an increase in receipts from Charges for Services

Business-Type Activities had total operating and non-operating receipts of \$4,879,339 and disbursements of \$4,790,181. Hardin Hills had an increase in net assets of \$151,611 as a result of an increase in receipts from Charges for Services.

General Fund Budgeting Highlights

The County's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

For the General Fund, actual budget basis receipts and other financing sources were \$7,741,951 which is \$561,060 above final budget estimates of \$7,180,891. Of this \$561,060 difference, a repayment of an advance from the Landfill Fund of \$500,000 made up most of the variance.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$7,103,621, which is \$244,634 less than the final appropriated amounts.

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as capital outlay disbursements.

Debt Administration

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and loans. At December 31, 2009 the County had \$1,439,345 in bonds and related long-term debt for Governmental Activities. Table 4 summarizes bonds and long-term loans outstanding for Governmental Activities for the past two years:

**Table 4
Outstanding Debt at December 31
Governmental Activities**

	2009	2008
General Obligations/Special Assessment Bonds	\$ 955,398	\$ 662,048
OWDA Landfill Closure	302,888	355,694
OPWC Loans	181,059	189,527
Totals	<u>\$1,439,345</u>	<u>\$1,207,269</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2009
UNAUDITED
(Continued)**

Current Financial Related Activities

Hardin County is stable financially at the present time. However, as the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County.

In addition, the County's system of budgeting and internal controls will be watched very closely as revenue becomes limited over the next few years. All of the County's financial abilities will be needed to meet the challenges of the future.

Contacting the County's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Michael T. Bacon, County Auditor, at Hardin County, One Courthouse Square, Suite 250, Kenton, Ohio 43326-2389 or by e-mail at hcaudit@co.hardin.oh.us. Monthly financial reports for Hardin County are also available on the County's website at www.hardin.oh.us.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2009**

	<u>Primary Government</u>			Component Unit Totals
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$8,029,214	\$1,794,772	\$9,823,986	
Cash and Cash Equivalents in Segregated Accounts	29,168		29,168	\$107,407
Cash With Fiscal Agent	545,458		545,458	
Total Assets	<u>8,603,840</u>	<u>1,794,772</u>	<u>10,398,612</u>	<u>107,407</u>
Net Assets:				
Restricted For:				
Debt Service	134,110		134,110	
Capital Projects	118,077		118,077	
Other Purposes	7,424,432		7,424,432	
Unrestricted	927,221	1,794,772	2,721,993	107,407
Total Net Assets	<u>\$8,603,840</u>	<u>\$1,794,772</u>	<u>\$10,398,612</u>	<u>\$107,407</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government				
Legislative and Executive	\$3,200,516	\$941,865	\$30,795	
Judicial	2,047,101	454,832	244,606	
Public Safety	4,028,083	311,569	1,723,082	
Public Works	6,000,706	1,710,973	3,589,022	
Health	377,114	363,028	76,600	\$243,313
Human Services	8,033,302	1,060,576	5,367,639	
Conservation and Recreation	387,487		4,920	762,638
Economic Development	746,776			
Capital Outlay				
Debt Service:				
Principal Retirement	479,524			
Interest and Fiscal Charges	36,373			
Total Governmental Activities	<u>25,336,982</u>	<u>4,842,843</u>	<u>11,036,664</u>	<u>1,005,951</u>
Business Type Activities				
Hardin Hills	4,201,274	4,305,866	7,335	
Waste Transfer Station	551,207	477,362		
Sewers	37,700			
Total Business Type Activities	<u>4,790,181</u>	<u>4,783,228</u>	<u>7,335</u>	
Total Primary Government	<u>30,127,163</u>	<u>9,626,071</u>	<u>11,043,999</u>	<u>1,005,951</u>
Component Units:				
Airport	359,600	82,401	270,785	
Harco Industries	107,622	65,685		
Hardin Housing	68,521	44,335		
Total Component Units	<u>\$535,743</u>	<u>\$192,421</u>	<u>\$270,785</u>	<u>\$0</u>

General Cash Receipts and Transfers

Property Taxes Levied for:

General Purpose
911 - Public Safety
Hardin County Board of Developmental Disabilities
Sales Taxes
Special Assessments
Proceeds from Sale of Capital Assets
Bond Proceeds
Grants and Entitlements not Restricted for Specific Purposes
Interest
Miscellaneous
Total General Receipts

Advances
Transfers

Total General Cash Receipts and Transfers

Changes in Net Cash Assets

Net Cash Assets Beginning of Year (Restated - Note 16)

Net Cash Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

**Net (Cash Disbursements) Cash Receipts
and Changes in Net Cash Assets**

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
(\$2,227,856)		(\$2,227,856)	
(1,347,663)		(1,347,663)	
(1,993,432)		(1,993,432)	
(700,711)		(700,711)	
305,827		305,827	
(1,605,087)		(1,605,087)	
380,071		380,071	
(746,776)		(746,776)	
(479,524)		(479,524)	
(36,373)		(36,373)	
<u>(8,451,524)</u>		<u>(8,451,524)</u>	
	\$111,927	111,927	
	(73,845)	(73,845)	
	<u>(37,700)</u>	<u>(37,700)</u>	
	382	382	
<u>(\$8,451,524)</u>	<u>382</u>	<u>(8,451,142)</u>	
			(\$6,414)
			(41,937)
			<u>(24,186)</u>
			<u>(72,537)</u>
1,108,439		1,108,439	
268,675		268,675	
1,712,775		1,712,775	
3,099,270		3,099,270	
	48,442	48,442	
30,028	9,871	39,899	
711,600		711,600	
1,057,406		1,057,406	
241,965		241,965	1,088
503,319	30,463	533,782	41,248
<u>8,733,477</u>	<u>88,776</u>	<u>8,822,253</u>	<u>42,336</u>
25,000	(25,000)		
<u>(100,000)</u>	<u>100,000</u>		
<u>8,658,477</u>	<u>163,776</u>	<u>8,822,253</u>	<u>42,336</u>
206,953	164,158	371,111	(30,201)
<u>8,396,887</u>	<u>1,630,614</u>	<u>10,027,501</u>	<u>137,608</u>
<u>\$8,603,840</u>	<u>\$1,794,772</u>	<u>\$10,398,612</u>	<u>\$107,407</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General Fund</u>	<u>Pike Repair Fund</u>	<u>Job and Family Services Fund</u>	<u>HCBD Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:						
Equity in Pooled Cash and Cash Equivalents	\$927,221	\$1,093,621	\$70,402	\$2,489,493	\$3,448,477	\$8,029,214
Cash and Cash Equivalents in Segregated Accounts				29,168		29,168
Cash With Fiscal Agent				545,458		545,458
Total Cash Assets	<u>927,221</u>	<u>1,093,621</u>	<u>70,402</u>	<u>3,064,119</u>	<u>3,448,477</u>	<u>8,603,840</u>
Cash Fund Balances:						
Reserved for Encumbrances	135,036	17,961	98,000	8,163	616,275	875,435
Unreserved, Reported in:						
General Fund	792,185					792,185
Special Revenue Funds		1,075,660	(27,598)	3,055,956	2,634,591	6,738,609
Debt Service Funds					134,110	134,110
Capital Projects Funds					63,501	63,501
Total Cash Fund Balances	<u>\$927,221</u>	<u>\$1,093,621</u>	<u>\$70,402</u>	<u>\$3,064,119</u>	<u>\$3,448,477</u>	<u>\$8,603,840</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	General Fund	Pike Repair Fund	Job and Family Services	HCBDD Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Taxes	\$1,108,439			\$1,712,775	\$268,675	\$3,089,889
Intergovernmental Receipts	1,057,406	\$3,589,022	\$2,457,337	1,497,897	4,498,359	13,100,021
Investment Income	236,981	3,386			1,598	241,965
Licenses and Permits	1,979				134,966	136,945
Fines & Forfeitures	24,853	33,353			132,320	190,526
Special Assessments					966,426	966,426
Charges for Services	959,531	816,234	451,618	393,456	928,107	3,548,946
Payment in Lieu of Taxes						
Sales Taxes	3,099,270					3,099,270
Miscellaneous	54,866	79,050		129,666	239,737	503,319
Total Cash Receipts	6,543,325	4,521,045	2,908,955	3,733,794	7,170,188	24,877,307
Cash Disbursements:						
General Government						
Legislative and Executive	2,686,462				514,054	3,200,516
Judicial	1,271,728				775,373	2,047,101
Public Safety	2,276,956				1,751,127	4,028,083
Public Works	29,115	4,508,977			1,462,614	6,000,706
Health					377,114	377,114
Human Services	167,902		2,918,599	3,552,292	1,394,509	8,033,302
Conservation and Recreation	194,038				193,449	387,487
Economic Development and Assistance					746,776	746,776
Debt Service:						
Principal Retirement					479,524	479,524
Interest & Fiscal Charges					36,373	36,373
Total Cash Disbursements	6,626,201	4,508,977	2,918,599	3,552,292	7,730,913	25,336,982
Cash Receipts Over/(Under) Cash Disbursements	(82,876)	12,068	(9,644)	181,502	(560,725)	(459,675)
Other Financing Sources (Uses)						
Sale of Capital Assets	11,235	18,020		70	703	30,028
Bond Proceeds					711,600	711,600
Advances In	603,000		75,000		167,680	845,680
Advances Out	(225,000)		(75,000)		(520,680)	(820,680)
Operating Transfers In					403,529	403,529
Operating Transfers Out	(117,384)	(8,468)			(377,677)	(503,529)
Total Other Financing Sources/(Uses)	271,851	9,552		70	385,155	666,628
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	188,975	21,620	(9,644)	181,572	(175,570)	206,953
Cash Fund Balances - Beginning of Year	738,246	1,072,001	80,046	2,882,547	3,624,047	8,396,887
Cash Fund Balances - End of Year	<u>\$927,221</u>	<u>\$1,093,621</u>	<u>\$70,402</u>	<u>\$3,064,119</u>	<u>\$3,448,477</u>	<u>\$8,603,840</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,695,860	\$98,912	\$1,794,772
Total Cash Assets	1,695,860	98,912	1,794,772
Net Assets:			
Unrestricted	\$1,695,860	\$98,912	\$1,794,772

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts:			
Charges for Services	\$4,305,866	\$477,362	\$4,783,228
Intergovernmental	7,335		7,335
Special Assessments		48,442	48,442
Other Operating Receipts	30,463		30,463
Total Operating Cash Receipts	<u>4,343,664</u>	<u>525,804</u>	<u>4,869,468</u>
Operating Cash Disbursements:			
Personal Services	2,074,595	133,201	2,207,796
Fringe Benefits	729,209	59,336	788,545
Contractual Services	142,266	125,127	267,393
Materials and Supplies	467,060	97,730	564,790
Other Operating Expenses	612,854	169,683	782,537
Capital Outlay	175,290	3,830	179,120
Total Operating Cash Disbursements	<u>4,201,274</u>	<u>588,907</u>	<u>4,790,181</u>
Operating Income(Loss)	142,390	(63,103)	79,287
Non-Operating Cash Receipts/(Disbursements):			
Proceeds from the Sale of Capital Assets	9,221	650	9,871
Total Non-Operating Cash Revenues/(Disbursements)	<u>9,221</u>	<u>650</u>	<u>9,871</u>
Cash Receipts Over (Under) Cash Disbursements	151,611	(62,453)	89,158
Income Before Transfers and Advances			
Advances-Out		(25,000)	(25,000)
Transfers-In		100,000	100,000
Changes in Net Assets	151,611	12,547	164,158
Net Assets - Beginning of Year (Restated - Note 16)	<u>1,544,249</u>	<u>86,365</u>	<u>1,630,614</u>
Net Assets - End of Year	<u>\$1,695,860</u>	<u>\$98,912</u>	<u>\$1,794,772</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	Private Purpose Trust	Agency
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	\$311,762	\$2,823,220
Cash and Cash Equivalents in Segregated Accounts		178,404
Total Cash Assets	311,762	3,001,624
 Liabilities:		
Due to Other Governments		\$3,001,624
 Net Assets:		
Unrestricted	125,481	
Restricted	186,281	
Total Net Assets	\$311,762	

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Private Purpose Trust</u>
Cash Additions:	
Contributions	\$15,230
Investment Income	4,373
Total Cash Additions	<u>19,603</u>
Cash Deductions:	
Payments in Accordance with Trust Agreements	<u>26,592</u>
Total Cash Deductions	<u>26,592</u>
Changes in Net Assets	(6,989)
Net Assets - Beginning of Year	<u>318,751</u>
Net Assets - End of Year	<u><u>\$311,762</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. DESCRIPTION OF THE REPORTING ENTITY

Hardin 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 are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include public protection (sheriff and courts); human services; repair, maintenance and construction of roads, ditches and bridges; disposal transfer services; and developmental disabilities educational services.

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The combined financial statements include all funds, agencies, boards, and commissions for which Hardin County and the County Commissioners are "accountable".

A. Component Units

HARCO Industries, Inc.

HARCO Industries, Inc. (the Workshop) is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Hardin County Board of Developmental Disabilities (HCBDD), provides sheltered employment for adults with developmental disabilities in Hardin County.

The Hardin County Board of DD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to developmentally disabled adults of Hardin County, the Workshop is a component unit of the County.

Complete financial statements can be obtained from Kim Thomas, Executive Director of HARCO Industries, Inc., 705 Ida Street, Kenton, Ohio 43326.

HARCO Industries, Inc. has a fiscal year end of June 30; however, the annualized amounts presented in the accompanying financial statements would not be significantly different from calendar year amounts.

Hardin County Housing Development, Inc.

Hardin County Housing Development, Inc. (HCHD) is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The HCHD, under a contractual agreement with the Hardin County Board of Developmental Disabilities, provides capital facilities for mental hygiene services for adults with developmental disabilities in Hardin County. The Hardin County Board of DD provides the staff salaries, transportation, equipment and other funds as necessary for the operation. Based on the significant services and resources provided by the County to the HCHD and HCHD's sole purpose of providing assistance to developmentally disabled adults of Hardin County, HCHD is a component unit of the County.

Complete financial statements can be obtained from Dean McCullough, Manager, at the administrative offices at 705 Ida Street, Kenton, Ohio.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Hardin County Airport Authority

The Hardin County Airport Authority provides air transportation and commercial travel for the general population and surrounding businesses of Hardin County. The Airport Board consists of seven members who are appointed by the Hardin County Commissioners. The airport land is owned by Hardin County. Based on the appointments and control and the significant services it provides, the Hardin County Airport Authority is a component unit of Hardin County.

Complete financial statements can be obtained from Brenda Broseke, 1040 West Franklin Street, Kenton, Ohio.

B. Jointly Governed Organizations

West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of Developmental Disabilities (DD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these DD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Developmental Disabilities. Financial information can be obtained from Saul Bauer, Executive Director, 315 East Court, Sidney, Ohio 45365.

Hardin County Regional Planning Commission

The Hardin County Regional Planning Commission (the Commission) is a joint venture between the County, the Municipalities, and the Townships within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of twenty seven members, any of which may hold any other public office. The County is represented by three members.

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed. Financial information can be obtained Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326

Workforce Investment Act

The Workforce Investment Act (WIA) of 1998 (Pub. L. No. 105-220) abolished the former Job Training and Partnership Act (JTPA) and merged services previously provided by both the Ohio Bureau of Employment Services (OBES) and the Ohio Department of Human Services (ODHS). As a result of this legislation, both State and County Departments of Human Services (DHS) are now the Departments of Job and Family Services (DJFS).

Objectives of the Workforce Investment Act are to increase the employment, retention, and earnings of participants in the program, and as a result improve the quality of the workforce, reduce welfare dependency, and enhance the productivity of the Nation.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Ohio is organized into seven local workforce investment areas. There are six “traditional” local areas and a seventh area known as the Ohio Option, which includes most of the State. Each traditional area has its own workforce investment board and acts as its own workforce investment system. The Ohio option is subdivided into local Workforce Development Areas (WDA), typically county or multi-county WDAs.

Each Workforce Investment or Policy Board is responsible for developing “one-stop” service delivery systems for the local area. The one-stop system is a network of required partners delivering training/employment services and activities defined in the law.

The federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Hardin County participated in a multi-county WDA with Auglaize and Mercer Counties, with the Mercer County Auditor as fiscal agent. Financial information can be obtained from Mark R. Giesige, Mercer County Auditor, 101 North Main Street, Room 105, Celina, Ohio 45822-1794.

Hardin County Family and Children First Council

The Hardin County Family and Children First Council (FCFC) provides services to multi-need youth in Hardin County. Members of the FCFC include the Hardin County Board of Developmental Disabilities, Mental Health Board, Hardin County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Head Start, Kenton-Hardin County Board of Health, Kenton City Schools, Hardin County Human Services, Hardin County Educational Service Center and the Ohio Department of Youth Services. The operation of the FCFC is controlled by an advisory committee which consists of a representative from each agency. Funding comes mainly from the State of Ohio. Financial information can be obtained from Sarah Jeffries, Council Administrator, 1021 West Lima Street, Kenton, Ohio 43326.

Logan County Juvenile Detention Center

The Logan County Juvenile Detention Center (JDC), is a jointly established non-profit corporation whose general purpose is to allow for the constitutional detention of juvenile persons.

The JDC is governed by a five member board consisting of the Juvenile Judge and a County Commissioner from each participating county (Logan and Hardin). The Logan County Juvenile Judge shall be responsible for selecting the fifth member annually. Financial information can be obtained from the Logan County Auditor, Mike Yoder, Jail Office Complex, 100 South Madriver Street, Room 103, Bellefontaine, Ohio 43311.

C. Joint Ventures:

Mental Health and Recovery Services of Allen, Auglaize, and Hardin Counties

The Mental Health and Recovery Services (MHRS) of Allen, Auglaize, and Hardin Counties, is a tri-county non-profit corporation whose general purpose is to provide leadership in planning for and supporting community based alcohol, drug addiction and mental health services in cooperation with public and private resources with emphasis on the development of prevention and early intervention programming while respecting, protecting and advocating for the rights of persons as consumers of alcohol, drug addiction and mental health services.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

The Board of Trustees consists of eighteen members. Four members are appointed by the Director of the Ohio Department of Mental Health, four members are appointed by the Director of the Ohio Department of Alcohol and Drug Addiction Services and the remaining ten members are appointed by the County Commissioners of Allen, Auglaize, and Hardin counties in the same proportion as the County's population bears to the total population of the three counties combined. The degree of control exercised by any participating government is limited to its representation on the Board. The MHRS Board is a joint venture since continued participation by the County is necessary for the continued existence.

Allen County acts as the fiscal agent for the MHRS Board. The Board receives tax revenue from the three Counties and receives federal and state funding through grant monies which are applied for and received by the board of trustees.

The MHRS Board is not accumulating significant financial resources and is not experiencing fiscal distress that may cause an additional financial benefit to or burden on members in the future. The Board has sole budgetary authority and controls surpluses and deficits and the county is not legally or morally obligated for the Board's debt.

In 2009, tax revenues generated by the levy in Hardin County totaled \$184,297. Complete financial statements can be obtained from the Allen County Auditor, Rhonda D. Eddy, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

Marion Hardin Correctional Center

The Marion Hardin Correctional Center (the Center) is a joint venture between Hardin County and Marion County. The general purpose is to allow for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. Institutional programming will provide opportunities for rehabilitation for inmates while meeting all relevant correction standards, including the Minimum Standards for Jails, in Ohio; Full Service Facilities.

The Center is governed by a Joint County Corrections Commission (the Commission). The Commission is a board composed of the following representatives: the President of the Board of County Commissioners, the Sheriff, and the Presiding Judge of the Court of Common Pleas from each member county. The Commission shall have an executive committee, construction committee, and operations committee who shall be responsible for the planning, construction, and day to day operating activities of the facility.

The Center has no outstanding debt as of December 31, 2009. The Center has not accumulated significant financial resources, nor is the Center experiencing fiscal stress that may cause additional financial benefit or burden on the County in the future. Financial information can be obtained from the Marion County Auditor, Joan M. Kasotis, 222 West Center Street, Marion, Ohio 43302.

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

CORSA is an Ohio nonprofit corporation established by forty-six counties in Ohio, for the purpose of establishing the CORSA Insurance/Self-Insurance Program.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any 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.

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

The County is participating in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The County Commissioners Association Service Corporation (CCAOSC) was established through the County Commissioners Association of Ohio (CCAO) as a group purchasing pool.

A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services, and general management fees, determining ongoing eligibility of each participant and performing any other acts and functions which may be delegated to it by the participating employers.

The group executive committee consists of seven members. Two members are the president and treasurer of CCAOSC; the remaining five members are representatives of the participants. These five members are elected for the ensuing year by the participants at a meeting held in the month of December each year. No participant can have more than one member on the group executive committee in any year, and each elected member shall be a County Commissioner.

County Employee Benefit Consortium of Ohio, Inc.

The County is participating in an insurance group purchasing pool for employee benefit plan costs which was established under the authority granted by Section 9.833 of the Ohio Revised Code. The County Employee Benefit Consortium of Ohio, Inc (CEBCO) was established to assist political subdivisions of the State of Ohio in controlling employee benefit plan costs.

CEBCO is responsible for obtaining and providing to members within 90 days after the last day of the fiscal year, a written report by a member of the American Academy of Actuaries concerning the benefit program.

This report shall certify whether the amounts reserved by CEBCO to cover potential cost of health care benefits for eligible officials, employees, and dependents are sufficient and are computed in accordance with accepted loss reserving standards. Each member political subdivision has a voting representative on the CEBCO Board.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

The Library Board is made up of seven members, four are appointed by the Commissioners of Hardin County and three are appointed by the Common Pleas Court Judge of Hardin County. The County is not involved in the budgeting process or operational management of the Library, nor does it subsidize or finance its operations. The County does pass through local government monies from the State of Ohio to the Library.

Hardin County Veterans Memorial Park District

The Park District Board is made up of three members, all of which are appointed by the Probate Judge of Hardin County. The County is not involved in the budgeting process or operational management of the Park District, nor does it subsidize or finance its operations.

F. Potential Component Units

As counties are structured in Ohio, the County Auditor and County Treasurer, respectively, serve as fiscal officer and custodian of funds for various agencies, boards, and commissions. As fiscal officer, the Auditor certifies the availability of cash and appropriations prior to the processing of payments and purchases. As the custodian of all public funds, the Treasurer invests public monies held on deposit in the County Treasury.

In the case of the separate agencies, boards, and commissions listed below, the County serves as fiscal agent and custodian, but does not exercise primary oversight responsibility; accordingly the following districts and agencies are presented as agency funds within the County's financial statements:

Kenton - Hardin General Health District

The eight member Board of Health is appointed by the District Advisory Council, which is comprised of Township Trustee Chairmen, Clerks and Mayors of participating municipalities. The Board adopts its own budget and operates autonomously from the County.

Soil and Water Conservation District

The five members of the District are independently elected officials. They adopt their own budget and control their separate operations.

Other Districts

The Hardin County Regional Planning Commission, Council on Aging, Hardin County Veterans Memorial Park District, and the Hardin County Family and Children First Council are also not a part of the County's reporting entity although they are presented as Agency Funds within the County's financial statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of the County conform to a comprehensive basis of accounting as applicable to governmental entities. The following is a summary of its significant accounting policies:

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-3 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on another comprehensive basis of accounting (OCBOA). This cash basis is similar to cash receipts and cash 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.

B. Basis of Presentation

The County's financial statements are prepared using the GASB 34 format but on a cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The County's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government (except for fiduciary funds) and the discretely presented component units. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The statement of net assets presents the cash basis financial condition of governmental activities, business-type activities, and component units of the County at year-end. The statement of activities presents a comparison between direct cash disbursements and program cash receipts for each program or function of the County's governmental activities, business-type activities, and component units. Direct cash disbursements are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program cash receipts include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest received on grant or other fund balances which is required to be used to support a particular program. Cash receipts which are not classified as program cash receipts are presented as general cash receipts of the County.

The comparison of direct cash disbursements with program cash receipts identifies the extent to which each business segment or governmental function is self-financing or draws from the general cash receipts of the County.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

Proprietary fund statements distinguish operating transactions from non-operating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the fund's principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as non-operating.

3. Fund Accounting

The County uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to specific County functions or activities. The operation of each fund is accounted for within a separate set of self-balancing accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

4. Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Cash receipts are assigned to the various governmental funds according to the purpose for which they may or must be used. Cash disbursements are assigned to the fund from which they are paid. The difference between governmental fund assets and cash disbursements is reported as cash fund balance. The following are the County's major governmental funds:

General Fund - The General Fund is the general 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 is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Pike Repair Fund - This fund accounts for monies received from state gasoline tax and motor vehicle registration fees designated for maintenance and repair of roads and bridges.

Job and Family Services Fund - This fund accounts for various federal and state grants that are used to provide public assistance to general relief recipients, pay their providers of medical assistance, and for certain public social services.

Hardin County Board of Developmental Disabilities (HCBDD) Fund - This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to developmentally disabled individuals.

The other governmental funds of the County account for grants and other resources, debt service, and capital projects, whose use is restricted to a particular purpose.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Proprietary Funds

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service. The County did not have an internal service fund.

Enterprise Funds - Enterprise Funds may be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. The following is the County's major Enterprise Fund:

Hardin Hills - This fund accounts for the daily operations of the County nursing home. Receipts are generated from resident fees and charges for services and are used to pay other agencies for services, to fund the daily costs of operations, and to provide services to the residents such as laundry, transportation, personal care items, and incidental medical supplies.

6. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County's private-purpose trust funds are amounts held in trust for individuals served by Developmental Disabilities (DD), Hardin Hills, and Veteran's Services. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

7. Component Units

Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or are legally separate organizations for which the nature and significance of the relationship with the County is such that exclusion would cause the County's financial statements to be misleading or incomplete. The County's component units are reported separately, or discretely, to emphasize that they are legally separate from the County.

C. Cash, Cash Equivalents, and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund balance integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" on the "Statement of Cash Basis Assets and Fund Balances" for the Governmental Funds and the "Statement of Fund Net Assets" for the Proprietary Funds.

Cash and cash equivalents held within departments of the County or held by the Component Units are recorded as "Cash and Cash Equivalents in Segregated Accounts".

Cash held by the West Central Ohio Network on behalf of the County is recorded as "Cash with Fiscal Agent".

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2009, investments were limited to STAR Ohio and Certificates of Deposit. The County records all its investments at cost.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2009.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2009 amounted to \$236,981, which includes \$220,582 assigned from other County funds. For calendar year 2009, total interest receipts amounted to \$246,338 in which \$236,981 was recorded in the General Fund; \$3,386 was recorded in the Pike Repair Fund; \$1,598 was recorded in other non-major Governmental Funds; and \$4,373 was recorded in other non-major Private Purpose Trust Funds.

For presentation on the financial statements, funds included within the Treasurer's cash management pool and investments with original maturities of three months or less are considered to be cash and cash equivalents.

D. Capital Assets and Depreciation

Capital assets (fixed assets) acquired or constructed for the County are recorded as disbursements at the time of acquisition. However, under the cash basis of accounting, capital assets and the related depreciation are not reported separately on the financial statements.

E. Compensated Absences

Vacation and sick leave benefits are not accrued and reported under the cash basis of accounting as previously described. All leave will either be absorbed by time off from work, or within certain limitations, be paid to the employees.

F. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes and 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

G. Interfund Receivables/Payables

The County reports advances-in and advances-out for interfund loans. These items are not reflected as assets and liabilities in the accompanying financial statements.

H. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the County to offer and provide terminated or retired employees continued participation in the County's employee health care benefits program, provided that the employees pay the rate established by the plan administrator.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as revenues when the entitlement is received. Federal and State reimbursement type grants for the acquisition or construction of fixed assets in Proprietary funds are recorded as revenue when the grant is received.

The County's Department of Job and Family Services (JFS) distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately \$4,612,128 of federal food stamps during 2009.

J. Long-Term Obligations

Bonds, long-term loans, and capital leases are recorded as cash disbursements in the cash basis financial statements when paid.

K. Net Cash Assets

Net cash assets consist of cash receipts and balances reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for the maintenance and improvement of roads, for public assistance, disabled individuals, health services, and grants. The County did not have net assets restricted by enabling legislation. The County's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

L. Inter-fund Transactions

In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts.

Exchange transactions between funds are reported as cash receipts in the seller fund and cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financial sources/uses in governmental funds and after non-operating cash receipts/disbursements in the proprietary funds.

Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

M. Fund Balance Reserves

The County reserves any portion of fund balances which is not available for appropriation or which is legally segregated for specific future use. Unreserved fund balances indicates that portion of fund balances which is available for future appropriation. Fund balance reserves have been established for encumbrances.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

3. 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 prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

4. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute into two categories. Active monies are public monies determined to be necessary to meet current demands upon the County treasury. Active monies must be maintained either as cash in the County treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged to the County by the financial institution as security for repayment, by surety company bonds deposited with the County Treasurer by the financial institution, or by a collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Monies held by the County which are not considered active are classified as inactive. Inactive monies 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, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political sub-divisions, 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);

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;
9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

Reverse repurchase agreements, investments in derivatives, and investments in stripped principal or interest obligations that are not issued or guaranteed by the United States, are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Bankers' acceptances must mature within 180 days, commercial paper within 270 days, and corporate notes within two years after purchase. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt and the investment advisory committee specifically approves it. Investments must be purchased with the expectation that they 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the County had \$800 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$9,653,552 of the County's bank balance of \$13,472,936 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

The County has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the County or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

Cash with fiscal agent cannot be disclosed by credit risk since it is commingled with other counties' money by the fiscal agent.

At the year-end, the bank deposits of the County's Component Units were covered by the Federal Deposit Insurance Corporation (FDIC).

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2009, the County had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>	<u>More than 5</u>
STAR Ohio	\$195,795	\$195,795			

The County's investment policy addresses interest rate risk by requiring that the County's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity, and by investing operating funds primarily in short-term investments. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase.

The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.35(J)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

The County places no limit on the amount it may invest in any one issuer. All or 100% of the County's portfolio is invested in STAR Ohio.

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed in 2006 for tax year 2006.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

5. PROPERTY TAXES (Continued)

The full tax rate for all County operations applied to real property for the year ended December 31, 2009, was \$10.65 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.65 per \$1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.89 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.04 per \$1,000 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.

The assessed value upon which the 2009 taxes were collected was \$456,954,830.

Real Property - 2009 Valuation:	
Residential/Agricultural	\$377,862,180
Commercial	38,671,880
Industrial	18,850,000
Public Utilities	346,830
Tangible Personal Property - 2009 Valuation:	
General	496,980
Public Utilities	<u>20,726,960</u>
 Total Valuation	 <u><u>\$456,954,830</u></u>

Real property taxes for tax year 2008 are payable annually or semi-annually. If paid annually, payment was due February 11, 2009. If paid semi-annually, the first payment was due February 11, 2009 with the remainder payable by July 15, 2009. Under certain circumstances, state statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Tax collections for and remittances to the taxing districts are accounted for in various agency funds of the County.

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date.

The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business files a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

6. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2009 amounted to \$3,099,270 and is recorded in the General Fund.

7. SHORT TERM DEBT

The County has no short-term debt as of December 31, 2009. However, \$200,000 of tax anticipation bonds for capital projects were issued and retired during the year.

8. LONG TERM DEBT

The County's long-term debt at year end consisted of general obligation bonds, special assessment bonds, and Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) Loans which are shown below. As of December 31, 2009 there is no long-term debt in the Enterprise Funds.

A. The County's long term debt transactions for the year ended December 31, 2009, are summarized below:

	Debt Principal Outstanding 1/1/09	Debt Principal Issued in 2009	Debt Principal Retired in 2009	Debt Principal Outstanding 12/31/09
General Obligation Bonds	\$ 504,998		\$170,000	\$ 334,998
Special Assessment Bonds				
With Government Commitment	157,050	\$511,600	48,250	620,400
OWDA Landfill Closure Loan	355,694		52,806	302,888
OPWC Loans	189,527		8,468	181,059
Total	\$1,207,269	\$511,600	\$279,524	\$1,439,345

The general obligation bonds were used to construct the Hardin County Courthouse Annex. General Obligation Bonds are secured by the County's ability to levy a voted or unvoted property tax within limitations of Ohio Law. The bonds are being repaid by the Hardin County Department of Job and Family Services (JFS) through a rental agreement whereas both the Child Support Enforcement Agency, and the Job and Family Services (Children's Services and Public Assistance) pay a portion of rent based upon square footage utilized.

The Special Assessment ditch bonds were used to construct and improve ditches and will be retired through assessments against benefited property owners. Each appropriate bond indenture provides for principal and interest to be paid from assessment collections. If the property owners default on their special assessment obligations, the County is obligated to meet the debt service requirements from County funds. The ditch bonds are being paid from the various County ditch funds.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

8. LONG TERM DEBT (Continued)

The total amount borrowed by the County under the OWDA Loan was \$891,616. The loans are for the payment of costs associated with the closure of the County Landfill on County Road 143A when it ceased acceptance of solid waste on March 31, 1990. On March 11, 1991 the Ohio EPA conducted an inspection of the facility and documented that the County had failed to apply adequate final cover. The County is now in the final stage of completing the closure costs which are made in accordance with an EPA approved closure plan. This debt is being repaid from the Special Revenue Landfill Assessment Fund.

During 2000 the County completed a bridge project which was financed in part with an OPWC loan to the County for \$73,468. The loan is scheduled for repayment over a ten year period that began July 2000.

A road and bridge project, which was financed in the amount of \$19,498 with an OPWC loan to the County, was started in 2003 and completed in 2004. The loan is scheduled for repayment over a five-year period that began January 2004.

During 2009 the County completed a road project which was financed in the amount of \$191,768 with an OPWC loan to the County. The loan is scheduled for repayment over a twenty-year period that began in 2009.

In 2009, the County issued two Special Assessment taxable bonds. One was for the purpose of reimbursing the costs of construction improvements to a landfill slurry wall in the amount of \$500,000 and the other was for the purpose of paying the cost of construction improvements to Maddy Ditch #1092 in the amount of \$11,600. The \$500,000 Landfill Slurry Wall bonds are scheduled for repayment over a ten year period beginning in April 2010.

The following are descriptions of the bonds and loans that existed in 2009 and were outstanding as of December 31, 2009:

Description	Issue Date	Issue Rate	Original Amount	2009 Paid Amount	Outstanding Amount	Maturity Date
General Obligation Bonds:						
County Courthouse Annex Bond	Oct 2002	Various	\$1,454,998	\$170,000	\$ 334,998	Dec 2012
				<u>170,000</u>	<u>334,998</u>	
Special Assessment Bonds:						
Landfill Slurry Wall	2009	4.99%	500,000		500,000	2019
Pattison Avenue Ditch	2003	3.94%	260,000	31,000	62,000	2011
Powell Ditch	2006	6.50%	4,000	800	1,600	2011
Lowery Ditch	2006	6.75%	5,300	750	1,500	2011
Hustoin Ditch	2007	5.00%	11,800	2,100	5,700	2012
Miller Ditch	2007	4.20%	32,500	6,300	18,700	2012
Harpster Ditch	2007	4.90%	35,000	6,500	17,500	2012
Dalton Ditch	2007	5.00%	4,350	800	1,800	2012
Maddy Ditch	2009	3.97%	11,600		11,600	2014
Total Special Assessment Bonds				<u>48,250</u>	<u>620,400</u>	
Total Bond Debt				<u>\$218,250</u>	<u>\$ 955,398</u>	

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

8. LONG TERM DEBT (Continued)

Description	Issue Date	Issue Rate	Original Amount	2009 Paid Amount	Outstanding Amount	Maturity Date
Loans:						
OWDA Loan - Landfill Closure	July 1997	4.56%	891,616	52,806	302,888	2014
OPWC Loan	July 1999	0.00%	22,040	3,673	3,672	2010
OPWC Loan	June 2008	0.00%	191,768	4,795	177,387	2028
Total Loans				61,274	483,947	
Total Bonds and Loans				\$279,524	\$1,439,345	

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2009, including interest payments of \$381,265 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds With Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loans	Totals
	Principal	Principal	Principal	Principal	Principal
2010	\$180,600	\$121,902	\$ 68,430	\$ 13,261	\$ 384,193
2011	185,000	116,440	68,430	9,588	379,458
2012	155,000	81,949	68,431	9,589	314,969
2013		66,524	68,430	9,588	144,542
2014		66,361	68,431	9,589	144,381
2015-2019		323,623		47,942	371,565
2020-2024				47,942	47,942
2025-2028				33,560	33,560
Total	520,600	776,799	342,152	181,059	1,820,610
Less: Interest	(185,602)	(156,399)	(39,264)		(381,265)
Principal	\$334,998	\$620,400	\$302,888	\$181,059	\$1,439,345

Net General Obligation Debt - The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000, of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and not in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000.

The effects of the debt limitations described above at December 31, 2009 are an overall debt margin of \$8,618,636 and an unvoted debt margin of \$4,569,548.

The component unit, Hardin County Housing Development, Inc, had outstanding mortgage debt at December 31, 2009 in the amount of \$84,409.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

9. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

All County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans as described below:

1. The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan.
2. The Member-Directed Plan (MD) - 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 member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, 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 qualifying members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2009, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2009 member contribution rates were 10.0% for members in the state and local classifications. Public safety and law enforcement members contributed 10.1%.

The 2009 employer contribution for local government employer units was 14.00% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2009 was 17.63%.

The County's contributions to OPERS for all employees for the years ended December 31, 2009, 2008, and 2006, were \$1,539,127, \$1,568,344, and \$1,501,015, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

B. State Teachers Retirement System (STRS)

Plan Description - Certified teachers, employed by the school for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. 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 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

9. PENSION OBLIGATIONS (Continued)

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 a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent 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 member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. 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. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DBP or CP 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 of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For the year ended December 31, 2009, 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. For 2008, the portion used to fund pension obligations was also 13 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 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 to STRS Ohio for the years 2009, 2008, and 2007 were \$34,657, \$35,942, and \$52,570, respectively; 100 percent has been contributed for 2009, 2008, and 2007.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2009, none have elected Social Security.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage. In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 or more years of qualifying Ohio service credit.

Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing OPERS, 277 East Town Street, Columbus OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2009 local government employer units contributed at 14.0% of covered payroll, and public safety and law enforcement employer units contributed at 17.63%.

The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for state and local employer units and 18.1% of covered payroll for law and public safety employer units. Active members do not make contributions to the OPEB Plan.

OPERS' Post Employment Health Care plan was established under, and is administrated in accordance with, Internal Revenue Code 401(h). Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For 2009, the employer contribution allocated to the health care plan was 7.0% from January 1 through March 31, 2009 and 5.5% from April 1 through December 31, 2009. Actual employer contributions for 2009 were \$784,172. The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective on January 1, 2008. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2009, which allowed additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

B. State Teachers Retirement System

Plan Description – The County contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians’ fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County’s contributions for health care for the years 2009, 2008, and 2007 were \$2,666, \$4,044, and \$3,269 respectively; 100 percent has been contributed for 2009, 2008, and 2007.

11. REVOLVING LOANS

Hardin County makes special efforts to attract out-of area companies to the County to increase the number of firms and employees working in the County. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. The revolving loans are secured by mortgages on the property.

Payments made during 2009 and balances outstanding at December 31, 2009 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2009	Principal Outstanding 12/31/09
Plastic Systems	4.75%	2014	\$1,771	\$110,355
Dairy Barn	4.00%	2029	102	37,398
Laugh and Learn Day Care	4.00%	2024	4,163	70,006
Total Principal Paid and Outstanding			\$6,036	\$217,759

12. RISK MANAGEMENT

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of seventy-one 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. Coverages provided are as follows:

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

12. RISK MANAGEMENT (Continued)

General Liability	\$1,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Liability	3,000,000
Excess Liability	5,000,000
Ohio Stop Gap Employer' Liability	1,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	250,000
Errors and Omissions Liability	1,000,000
Medical Professional Liability	3,000,000
Building and Contents	64,160,955
Equipment Breakdown	100,000,000
Sewer Lines	500,000
Other Coverages	
Extra Expense – Business Interruption	1,000,000
EDP Media	100,000
Valuable Papers	1,000,000
Flood	100,000,000
Earthquake	100,000,000
Crime	1,000,000
Money and Securities	1,000,000
Property in Transit	100,000
Unintentional Omissions	250,000

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation, and health; dental; and prescription. Settled claims resulting from these risks have not exceeded CORSA's and commercial insurance coverage in any of the past three fiscal years. Employees of the Developmental Disabilities (DD) Board are covered by the County Boards Association (CBA) Benefit Services.

13. INDIVIDUAL COMPONENT UNIT DISCLOSURE

**Condensed Statement of Cash Receipts, Cash Disbursements and
Changes in Net Cash Assets**

	Airport Authority	HARCO Industries	Hardin Housing	Totals
Program Cash Receipts	\$353,186	\$65,685	\$44,335	\$463,206
General Cash Receipts	4,015	38,060	261	42,336
Program Cash Disbursements	359,600	107,622	68,521	535,743
Changes in Net Cash Assets	(2,399)	(3,877)	(23,925)	(30,201)
Net Cash Assets Beginning of Year	67,844	45,228	24,536	137,608
Net Cash Assets End of Year	<u>\$ 65,445</u>	<u>\$41,351</u>	<u>\$ 611</u>	<u>\$107,407</u>

As indicated in Note 14, the County provided non-cash benefits to HARCO Industries and Hardin Housing.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

14. RELATED PARTY TRANSACTIONS

During 2009, the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported the value of an In-Kind contribution that was determined in accordance with a formula developed by the Ohio Association of Adult Services. The In-Kind contribution from the Hardin County DD Board amounted to \$18,185.

During 2009, Hardin County provided the staff salaries, transportation, equipment and other funds as necessary to the Hardin County Housing Development, Inc. (HCHD). HCHD, which is one of the discretely presented component units of Hardin County, reported \$27,313 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

15. CONTINGENT LIABILITIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2009.

B. Litigation

The County is involved in litigation as a defendant. The County does not believe the outcome of this litigation would materially impact the financial statements.

C. Landfill

Each year the County engages a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study is subject to review by the Ohio Environmental Protection Agency. This year's study estimates that \$2,054,344 will be incurred over the remaining 16.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a promissory note for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

On April 1, 2009, the County issued Landfill Slurry Wall Special Assessment Taxable Bonds in the amount of \$500,000 for the purpose of reimbursing the cost of constructing improvements to a landfill slurry wall in anticipation of the collection of special assessments levied for the said improvements. Principle and interest payments are due April 1 of each year for a period of 10 years, from 2010 through 2019, with interest at the rate of 4.99%.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

16. RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Net assets of Governmental Activities and Business-Type Activities were restated at January 1, 2009, to reclassify funds to the more appropriate classification. The County Home Special Levy Fund and Hardin Hills New Building Fund were classified as Governmental Activities as of December 31, 2008. The 2009 beginning balances have been adjusted to properly classify these funds as Business-Type Activities. These changes had the following effect on net assets/fund balances as previously reported:

	Net Assets Governmental Activities	Net Assets Business-Type Activities	Fund Balance	
			Other Governmental Funds	Hardin Hills
Net Assets/Fund Balances, December 31, 2008	\$8,700,191	\$1,327,310	\$3,927,351	\$1,240,945
Restatements for:				
County Home Special Levy Fund	(287,021)	287,021	(287,021)	287,021
Hardin Hills New Building Fund	(16,283)	16,283	(16,283)	16,283
Restated Fund Balance/Net Assets, January 1, 2009	<u>\$8,396,887</u>	<u>\$1,630,614</u>	<u>\$3,624,047</u>	<u>\$1,544,249</u>

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**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$584,391	\$584,391	\$584,391	
Resources (Inflows):				
Taxes	1,061,000	1,061,000	1,108,439	\$47,439
Intergovernmental	1,100,000	1,100,000	1,057,406	(42,594)
Investment Income	300,000	300,000	236,981	(63,019)
Licenses and Permits	2,000	2,000	1,979	(21)
Fines and Forfeitures	25,000	25,000	24,853	(147)
Charges for Services	869,000	869,000	959,531	90,531
Sales Taxes	3,100,000	3,100,000	3,099,270	(730)
Miscellaneous	12,100	12,100	54,866	42,766
Other Financing Sources:				
Sale of Capital Assets	2,400	2,400	11,235	8,835
Advances In	125,000	125,000	603,000	478,000
Amounts Available for Appropriation	<u>7,180,891</u>	<u>7,180,891</u>	<u>7,741,951</u>	<u>561,060</u>
Charges to Appropriation (Outflows):				
General Government:				
Legislative and Executive	3,087,057	3,007,278	2,721,532	285,746
Judicial	1,277,434	1,399,621	1,323,061	76,560
Public Safety	2,254,608	2,375,497	2,304,256	71,241
Public Works	29,500	29,622	29,115	507
Human Services	205,409	206,372	189,235	17,137
Conservation and Recreation	211,347	204,865	194,038	10,827
Other Financial Uses:				
Transfers Out	100,000	125,000	117,384	7,616
Advances Out			225,000	(225,000)
Total Charges to Appropriations:	<u>7,165,355</u>	<u>7,348,255</u>	<u>7,103,621</u>	<u>244,634</u>
Prior Year Encumbrances Appropriated	<u>153,855</u>	<u>153,855</u>	<u>153,855</u>	
Ending Budgetary Balance	<u>\$169,391</u>	<u>(\$13,509)</u>	<u>\$792,185</u>	<u>\$805,694</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
PIKE REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$955,647	\$955,647	\$955,647	
Resources (Inflows):				
Intergovernmental	4,645,000	4,645,000	3,589,022	(\$1,055,978)
Investment Income	30,000	30,000	3,386	(26,614)
Fines and Forfeitures	50,000	50,000	33,353	(16,647)
Charges for Services	750,000	750,000	816,234	66,234
Miscellaneous	160,000	160,000	79,050	(80,950)
Other Financing Sources:				
Sale of Capital Assets	50,000	50,000	18,020	(31,980)
Amounts Available for Appropriation	6,640,647	6,640,647	5,494,712	(1,145,935)
Charges to Appropriation (Outflows):				
Public Works	5,524,000	5,634,677	4,526,938	1,107,739
Other Financing Uses:				
Transfers Out	150,000	150,000	8,468	141,532
Total Charges to Appropriations	<u>5,674,000</u>	<u>5,784,677</u>	<u>4,535,406</u>	<u>1,249,271</u>
Prior Year Encumbrances Appropriated	<u>116,354</u>	<u>116,354</u>	<u>116,354</u>	
Ending Budgetary Balance	<u><u>\$966,647</u></u>	<u><u>\$855,970</u></u>	<u><u>\$1,075,660</u></u>	<u><u>\$103,336</u></u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$346	\$346	\$346	
Resources (Inflows):				
Intergovernmental	3,390,016	3,390,016	2,457,337	(\$932,679)
Charges for Services	350,000	350,000	451,618	101,618
Miscellaneous	2,000	2,000		(2,000)
Other Financing Sources:				
Advances In			75,000	75,000
Transfers In	100,000	100,000		(100,000)
Amounts Available for Appropriation:	3,842,362	3,842,362	2,984,301	(858,061)
Charges to Appropriation (Outflows):				
Human Services	3,797,016	3,855,119	3,016,599	838,520
Other Financing Uses:				
Transfers Out	45,000	45,000		45,000
Advances Out			75,000	(75,000)
Total Charges to Appropriations	<u>3,842,016</u>	<u>3,900,119</u>	<u>3,091,599</u>	<u>808,520</u>
Prior Year Encumbrances Appropriated	<u>79,700</u>	<u>79,700</u>	<u>79,700</u>	
Ending Budgetary Balance	<u>\$80,046</u>	<u>\$21,943</u>	<u>(\$27,598)</u>	<u>(\$49,541)</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
HARDIN COUNTY BOARD OF DEVELOPMENTAL DISABILITIES (HCBDD) FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$2,877,237	\$2,877,237	\$2,877,237	
Resources (Inflows):				
Taxes	1,695,667	1,695,667	1,712,775	\$17,108
Intergovernmental	1,485,786	1,485,786	1,497,897	12,111
Charges for Services	8,000	8,000	7,097	(903)
Miscellaneous	49,993	49,993	129,666	79,673
Other Financing Sources:				
Sale of Capital Assets			70	70
Amounts Available for Appropriation	6,116,683	6,116,683	6,224,742	108,059
Charges to Appropriation (Outflows):				
Human Services	3,261,414	3,382,854	3,233,462	149,392
Total Charges to Appropriations:	<u>3,261,414</u>	<u>3,382,854</u>	<u>3,233,462</u>	<u>149,392</u>
Prior Year Encumbrances Appropriated	<u>5,310</u>	<u>5,310</u>	<u>5,310</u>	
Ending Budgetary Balance	<u><u>\$2,860,579</u></u>	<u><u>\$2,739,139</u></u>	<u><u>\$2,996,590</u></u>	<u><u>\$257,451</u></u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009**

Budgetary presentations are included after the financial statement notes as required supplementary information and report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

1. BUDGETARY PROCESS

A. Budget

In accordance with Section 5747.53 of the Ohio Revised Code, the County Budget Commission has provided for the apportionment of undivided local government funds under an alternative method that has been approved by governmental subdivisions within the County. Under this alternative method, the County Budget Commission has waived the requirement for the Taxing Authority of a subdivision to adopt a tax budget.

B. 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 that 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 disbursements 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 unencumbered fund balances. However, those fund balances are available for appropriations.

C. Appropriations

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2009 and were considered routine.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009
(Continued)**

1. BUDGETARY PROCESS (Continued)

7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

D. 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 disbursement of funds are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the cash basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be reappropriated.

E. Hardin County Board of Decelopmental Disabilities (HCBDD) Fund Budgetary Comparison Schedule - Actual Resources and Charges to Appropriations

Activity of the West Central Ohio Network, a jointly governed organization of the County, on behalf of the County is recorded as cash receipts and cash disbursements on the financial statements. However, this activity is not included in the County's annual budget and, therefore, is not reflected on the HCBDD Fund Budgetary Comparison Schedule.

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Education)</i>				
National School Lunch Program	N/A	10.555	\$1,304	\$1,099
<i>(Passed through Ohio Department Job and Family Services)</i>				
Supplemental Nutrition Assistance Program (Administrative Costs)	JFSFF109-3840	10.561	129,844	
ARRA - Supplemental Nutrition Assistance Program (Administrative Costs)	JFSFFB09S-3840	10.561	20,125	
Supplemental Nutrition Assistance Program (Administrative Costs)	JFSFFB10-3840	10.561	45,847	
Total Supplemental Nutrition Assistance Program (Administrative Costs)			<u>195,816</u>	
Total United States Department of Agriculture			<u>197,120</u>	<u>1,099</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant's / State's Program				
Community Development Program	B-F-08-006-1	14.228	108,000	
Community Housing Improvement Program	B-C-08-006-1		17,341	
Community Development Program	B-F-07-006-1		337,025	
Total Community Development Block Grant's / State's Program			<u>462,366</u>	
HOME Investment Partnerships Program	B-C-08-006-2	14.239	129,038	
Total U.S. Department of Housing and Urban Development			<u>591,404</u>	
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Ohio Department of Youth Services)</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	N/A	16.540	177,511	
Edward Byrne Memorial Justice Assistance Grant Program	08-JG-C01-6272	16.738	26,137	
Total United States Department of Justice			<u>203,648</u>	
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education Grants to States	066027-6BSF-09	84.027	23,934	
Special Education Grants to States	066027-6BSF-10		2,647	
Total Special Education Grants to States			<u>26,581</u>	
Special Education Preschool Grants	066027-PGS1-09	84.173	9,230	
Special Education Preschool Grants	066027-PGS1-10	84.173	734	
Total Special Education Preschool Grants			<u>9,964</u>	
Total Special Education Cluster			<u>36,545</u>	
State Grants for Innovative Programs	066027-C2S1-09	84.298	6	
Total United States Department of Education			<u>36,551</u>	
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>(Passed through Ohio Department Job and Family Services)</i>				
Temporary Assistance for Needy Families (TANF)	JFSFTF09-3V60	93.558	1,260	
Temporary Assistance for Needy Families (TANF)	JFSFTF08-3V60	93.558	124,206	
Temporary Assistance for Needy Families (TANF)	JFSFTF09-3V60	93.558	729,751	
Temporary Assistance for Needy Families (TANF)	JFSFTF10-3V60	93.558	205,600	
Total Temporary Assistance for Needy Families (TANF)			<u>1,060,817</u>	
Medical Assistance Program	JFSFMT09-3F00	93.778	150,034	
Medical Assistance Program	JFSFMT09-GRF	93.778	79,892	
Medical Assistance Program	JFSFMT10-3F00	93.778	40,606	
Medical Assistance Program	JFSFMT10-GRF	93.778	36,581	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program	N/A	93.778	40,864	

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2009
(Continued)**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HUMAN SERVICES (Continued)				
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Medical Assistance Program	JFSFMP09-3F00	93.778	3,822	
Total Medical Assistance Program			<u>351,799</u>	
Child Care and Development Block Grant	JFSFCD09-3H70	93.575	14,690	
Child Care and Development Block Grant	JFSFCD10-3H70	93.575	220	
Total Child Care and Development Block Grant			<u>14,910</u>	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	JFSFCM09-3H70	93.596	13,002	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	JFSFCD09-3H70	93.596	6,809	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	JFSFCM09-3H70	93.596	14,692	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	JFSFCM10-3H70	93.596	85,412	
Total Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>119,915</u>	
ARRA - Child Care and Development Block Grant	JFSFCD09S-3H70	93.713	18,883	
Total Child Care Cluster			<u>153,708</u>	
Social Services Block Grant	JFSFSS09-3960	93.667	191,567	
Social Services Block Grant	JFSFTX09-3960	93.667	103,108	
Social Services Block Grant	JFSFTX10-3960	93.667	148,096	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant	N/A	93.667	19,863	
Total Social Services Block Grant			<u>462,634</u>	
<i>(Passes through Ohio Department of Job and Family Services)</i>				
Promoting Safe and Stable Families	JFSFMC09-3270	93.556	1,060	
Promoting Safe and Stable Families	JFSFPF09-3270	93.556	28,799	
Promoting Safe and Stable Families	JFSFPF10-3270	93.556	72	
Total Promoting Safe and Stable Families			<u>29,931</u>	
Child Welfare Services State Grants	JFSFCW08-3270	93.645	(14,221)	
Child Welfare Services State Grants	JFSFCW09-3270	93.645	31,468	
Child Welfare Services State Grants	JFSFCW10-3270	93.645	573	
Total Child Welfare Services State Grants			<u>17,820</u>	
Adoption Assistance	JFSFAA09-GRF	93.659	625	
Child Abuse and Neglect State Grants	JFSFSTFO-1980	93.669	1,898	
Foster Care Title IV-E - Protect Ohio Waiver	N/A	93.658	176,950	
<i>(Passed through Ohio Department of Child Support Enforcement)</i>				
Child Support Enforcement Agency	JFSFCS08-GRF	93.563	(8,991)	
Child Support Enforcement Agency	JFSFCS09-3970	93.563	252,253	
ARRA - Child Support Enforcement Agency	JFSFCS09S-3970	93.563	140,835	
Child Support Enforcement Agency	JFSFCS10-3970	93.563	52,469	
Total Child Support Enforcement Agency			<u>436,566</u>	
<i>(Passed through the Ohio Secretary of State)</i>				
Voting Access for Individuals With Disabilities Grants to States	N/A	93.617	2,927	
Total United States Department of Human Services			<u>2,695,675</u>	

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2009
(Continued)**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. ELECTIONS ASSISTANCE COMMISSION				
<i>(Passed through the Ohio Secretary of State)</i>				
Help America Vote Act Requirements Payments	N/A	90.401	4,967	
Total U.S. Elections Assistance Commission			4,967	
U.S. DEPARTMENT OF COMMERCE				
<i>(Passed through Ohio Department of Public Safety Emergency Management Agency)</i>				
Public Safety Interoperable Communications Grant Program	07-GS-H7-0053	11.555	1,501,284	
Total U.S. Department of Commerce			1,501,284	
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Department of Public Safety Emergency Management Agency)</i>				
Emergency Management Performance Grants	07-EM-E7-0024	97.042	40,151	
Emergency Management Performance Grants	08-EM-E8-002	97.042	9,868	
Emergency Management Performance Grants	09-EP-E9-0061	97.042	8,562	
Total Emergency Management Performance Grants			58,581	
Homeland Security Grant Program	08-GE-T8-0025	97.067	46,037	
Total U.S. Department of Homeland Security			1,605,902	
Total Federal Awards Expenditures			<u>\$5,335,267</u>	<u>\$1,099</u>

See accompanying notes to the Schedule of Federal Awards Expenditures.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2009**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) summarizes the activity of all federal award programs of the County. The County reporting entity is defined in Note 1 of the County's general purpose financial statements. All federal awards received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included in the schedule. The accompanying Schedule has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

Revolving Loan Program

Hardin County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low to moderate income households and to eligible persons. The Federal Department of Housing and Urban Development (HUD) grants moneys for these loans to the County through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement in the year loaned and loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the schedule. These loans are collateralized by mortgages on the properties. The following represents the activity of the revolving loans, the amount of loans outstanding and the cash balance available for loan.

<u>Small Business Revolving Loans</u>	<u>Loan Activity and Balances</u>	<u>Cash Activity and Balances</u>
Beginning Balances January 1, 2009	\$186,295	\$299,122
Loan Principal Repayments / Cash Receipts	(6,036)	11,113
Loan and Grant Disbursements / Disbursements	37,500	(154,804)
Ending Balances December 31, 2009	<u>\$217,759</u>	<u>\$155,431</u>

See financial statement note 11 for additional loan activity details.

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

The Hardin County Department of Development Disabilities (Simon Kenton School) received federal assistance through the National School Lunch and Donated Food Programs. The National School Lunch program is reimbursing in nature and revenues are considered expended when received. The school is allowed a selection from a pool of foods, when available, under the Food Donation Program.

Program regulations do not require the School to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the fair market value of the commodities received.

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.

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Mary Taylor, CPA

Auditor of State

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

Financial Condition
Hardin County
One Courthouse Square, Suite 250
Kenton, Ohio 43326

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated, August 31, 2010, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. Other auditors audited the financial statements of the HARCO Industries and Hardin County Housing Development (discretely presented component units), as described in our opinion on the County's financial statements. As disclosed in Note 16, the County restated the January 1, 2009 Net Assets of the Governmental and Business Type Activities and Fund Balances of the Hardin Hills and Other Governmental Funds. 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*. Other Auditors audited the financial statements of the component unit HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

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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 an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2009-001.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 31, 2010.

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

We intend this report solely for the information and use of management, the audit committee, Board of County Commissioners, federal awarding agencies and pass-through entities, and others within the County. We intend it for no one other than these specified parties.



Mary Taylor, CPA
Auditor of State

August 31, 2010



Mary Taylor, CPA

Auditor of State

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

Financial Condition
Hardin County
One Courthouse Square, Suite 250
Kenton, Ohio 43326

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin 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, 2009. 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.

The County's basic financial statements include the operations of the Hardin County Airport Authority, which received \$87,290 in federal awards which is not included in the Schedule of Federal Awards for the year ended 2009. Our audit of Federal awards, described below, did not include the operations of the Hardin County Airport Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2009, it was not subject to OMB Circular A-133 audit requirements.

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 included with Comptroller General of the United States *Government Auditing Standards*; 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.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed other instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2009-002 through 2009-004.

We also noted other matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 31, 2010.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government's internal control over compliance with the requirements that could directly and materially affect 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, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings and questioned costs as items 2009-002 through 2009-004. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The County's responses to the findings we identified are described in the accompanying schedule of findings and questioned costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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



Mary Taylor, CPA
Auditor of State

August 31, 2010

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 10.561 – Supplemental Nutrition Assistance Program / ARRA Supplemental Nutrition Assistance Program, CFDA # 11.555 - Public Safety Interoperable Communications Grant Program, CFDA # 93.558 - Temporary Assistance for Needy Families, CFDA # 93.563 - Child Support Enforcement Agency / ARRA Child Support Enforcement Agency, CFDA # 93.667 - Social Services Block Grant, CFDA # 93.778 - Medical Assistance Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2009-001

Noncompliance Citation

Ohio Rev. Code Section 117.38 provides that each public office shall file a financial report for each fiscal year. The Auditor of State may prescribe forms by rule or may issue guidelines, or both, for such reports. If the Auditor of State has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code Section 117-2-03 further clarifies the requirements of Ohio Rev. Code Section 117.38.

Ohio Adm. 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 prepared 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. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful and complete financial statements, the County should prepare its financial statements according to generally accepted accounting principles.

OFFICIALS RESPONSE:

The County has passed a resolution on March 11, 2006, volume 70, page 131 stating that all annual reports beginning fiscal 2002 and thereafter will be on a cash basis. This decision was based on the cost of preparation, conversion and audit expense. The County has estimated that it has saved nearly \$25,000 to \$35,000 annually.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER 2009-002

Finding Number	2009-002
CFDA Title and Number	#93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Number / Year	2008, 2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation / Questioned Costs /Significant Deficiency

2 CFR Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Department of Jobs and Family Services).

**FINDING NUMBER 2009-002
 (Continued)**

Such leases included, but are not limited to those between divisions of a governmental unit. 2 CFR Part 225 App.B Section 37.b indicates the allowable amounts to be considered had the County Job and Family Services held title to the property includes expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 CFR Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b (1) through (4) of the appendix.

Additionally, **Ohio Admin. Code Section 5101:9-4-11(A)** indicates the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 C.F.R. Part 22.

The Hardin County Job and Family Services department (JFS) leased a facility from the Hardin County Board of Commissioners. Since both parties were divisions of the same governmental unit, this lease agreement appears to constitute a "less-than-arm's-length" agreement and is therefore subject to the limitations of 2 CFR Part 225, App. B Section 37.c.

During 2009, a total of \$100,140 of rental payments was paid by the Hardin County Job and Family Services department to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Job and Family Services department and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,782,382
Expected Useful Life of the Asset (Years)	<u>40</u>
Annual Depreciation Calculation:	\$44,560
2009 Interest on Building Bond	<u>10,700</u>
Total Allowable Rental Cost	\$55,260
Hardin JFS Share of Building	<u>62%</u>
Allowable Rent to be Paid by Hardin JFS	\$34,261
Total Rent paid by Hardin JFS	100,140
Excess Rent Payment	<u>\$65,879</u>
Excess Rent Payment Allocated to TANF Program	\$18,832
Percentage of TANF Program Which is Federally Funded	<u>100%</u>
Questioned Cost for TANF Program	<u><u>\$18,832</u></u>

The \$65,879 in excess rent was allocated to each federally funded program through an indirect cost pool to the Job and Family Service departments' federally funded programs. As noted above, \$18,832 in excess rent allocated to the TANF program is federal questioned costs.

The Board of County Commissioners should modify the building lease agreement with the County JFS so that the lease amount will not exceed the amount allowed in accordance with applicable requirements.

**FINDING NUMBER 2009-002
 (Continued)**

In addition, the County should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

OFFICIALS RESPONSE: See combined response at the ending of finding number 2009-004.

Finding Number	2009-003
CFDA Title and Number	#93.563 Child Support Enforcement Agency
Federal Award Number / Year	2008, 2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Child Support Enforcement

Noncompliance Citation / Questioned Costs /Significant Deficiency

2 CFR Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the County. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement (the County) is able to control or substantially influence the actions of the other (the County Child Support Enforcement Agency). Such leases included, but are not limited to those between divisions of a governmental unit. 2 CFR Part 225 App.B Section 37.b indicates rental costs would include expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 CFR Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b (1) through (4) of the appendix.

Additionally, **Ohio Admin. Code Section 5101:9-4-11(A)** indicates, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 CFR Part 225

The Hardin County Child Support Enforcement Agency leased office space in the Courthouse Annex building from the Hardin County Board of Commissioners. Since both parties were division of the same governmental unit, this lease agreement constituted a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 CFR Part 225, App. B Section 37.b.

During 2009, a total of \$38,760 of rental payments was paid by the Hardin County Child Support Enforcement Agency to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Child Support Enforcement Agency and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

**FINDING NUMBER 2009-003
 (Continued)**

Acquisition Cost of the Building	\$1,782,382	
Expected Useful Life of the Asset (Years)	<u>40</u>	
Annual Depreciation Calculation:		\$44,560
2009 Interest on Building Bond		<u>10,700</u>
Total Allowable Rental Cost		\$55,260
Hardin CSEA Share of Building		<u>24%</u>
Allowable Rent to be Paid by Hardin CSEA		\$13,262
Total Rent paid by Hardin CSEA		\$38,760
Excess Rent Payment		<u>\$25,498</u>
Excess Rent Payment Allocated to CSEA		\$25,498
Percentage of CSEA Which is Federally Funded		<u>66%</u>
Questioned Cost for CSEA		<u>\$16,829</u>

The \$25,498 in excess rent was allocated to each federally funded program through an indirect cost pool to the Child Support Enforcement Agency's federally funded programs. As noted above, \$16,829 of the \$25,498 in excess rent allocated to the CSEA Title IV-D program is federal questioned costs; the remainder of the excess rent was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

The Board of County Commissioners should modify the building lease agreement with the Hardin County Child Support Enforcement Agency so that the lease amount will not exceed the amount allowed in accordance with applicable requirements. In addition, the County should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

OFFICIALS RESPONSE: See combined response at the ending of finding number 2009-004.

Finding Number	2009-004
CFDA Title and Number	#93.667 Social Services Block Grant
Federal Award Number / Year	2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation / Questioned Costs /Significant Deficiency

2 CFR Part 225 App B. Section 37.c indicates rental costs under “less-than-arm’s-length” leases are allowable only up to the amount (as explained in section 37.b of the appendix) that would be allowable had title to the property vested in the governmental unit. For this purpose, a less-than-arm’s-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases included, but are not limited to those between divisions of a governmental unit. 2 CFR Part 225 App.B Section 37.b indicates rental costs would include expenses such as depreciation or use allowance, maintenance, taxes and insurance.

2 CFR Part 225 App. B Section 23.b states financing costs (including interest) paid or incurred which are associated with the otherwise allowable costs of building acquisition, construction, or fabrication, reconstruction or remodeling completed on or after October 1, 1980 is allowable subject to the conditions in section 23.b (1) through (4) of the appendix.

Additionally, **Ohio Admin. Code Section 5101:9-4-11(A)** indicates, the county family service agency shall follow federal, state, and local regulations when seeking federal financial participation for costs associated with the rent or lease of property or equipment. The costs must be necessary and reasonable for proper and efficient performance and administration of the specific program financing the cost and must be in compliance with Office of Budget and Management (OMB) Circular A-87, attachment B and Code of Federal Regulations 2 CFR Part 225.

The Hardin County Job and Family Services department leased a facility from the Hardin County Board of Commissioners. Since both parties were divisions of the same governmental unit, this lease agreement constituted a “less-than-arm’s-length” agreement and is therefore subject to the limitations of 2 CFR Part 225, App. B Section 37.b.

During 2009, a total of \$100,140 of rental payments was paid by the Hardin County Job and Family Services department to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Job and Family Services department and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

**FINDING NUMBER 2009-004
 (Continued)**

Acquisition Cost of the Building	\$1,782,382
Expected Useful Life of the Asset (Years)	<u>40</u>
Annual Depreciation Calculation:	
2009 Interest on Building Bond	\$44,560
Total Allowable Rental Cost	<u>10,700</u>
Hardin JFS Share of Building	<u>\$55,260</u>
	<u>62%</u>
Allowable Rent to be Paid by Hardin JFS	\$34,261
Total Rent paid by Hardin JFS	<u>\$100,140</u>
Excess Rent Payment	<u>\$65,879</u>
Excess Rent Payment Allocated to Social Services Block Grant	\$10,335
Percentage of Social Services Block Grant Which is Federally Funded	<u>100%</u>
Questioned Cost for Social Services Block Grant	<u>\$10,335</u>

The \$65,879 in excess rent was allocated to each federally funded program through an indirect cost pool to the Job and Family Service departments' federally funded programs. As noted above, \$10,335 in excess rent allocated to the Social Services Block Grant is federal questioned costs.

The Board of County Commissioners should modify the building lease agreement with the County JFS so that the lease amount will not exceed the amount allowed in accordance with applicable requirements. In addition, the County should implement procedures to provide training and resources to those responsible for assuring compliance with the requirements of federal grants.

OFFICIALS RESPONSE:

The original contract was signed in 1992. This 25-year lease was approved by all parties concerned. The building lease is outlined below:

Total sq. ft.	22,472
J&FS usage sq. ft.	13,933
CSEA usage sq. ft.	5,393

Initial investigation indicates fair market value is be between \$8 and \$20 per sq. ft. We feel this building would fall in the middle of this range, but we will use the lower end at \$10 for a fair market value. Current payments are equal to \$7.19 per sq. ft. One should also note that covered parking is included.

The fluctuating nature of the proportion of interest and principal payments reflected in the amortization schedule would result in a significant variation of payments. Your method would result in unusually high payments in 2011 and 2012. The contract expires in December 2012. It is our understanding that County could then charge fair market value. The contract has been in effect for 17 years and should not be breached. It is fair for all parties concerned.

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2009**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2008-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – the County did not prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as Finding 2009-001

**FINANCIAL CONDITION
HARDIN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2009**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2009-002	Continue with the contract as written	N/A	Hardin County Commissioners
2009-003	Continue with the contract as written	N/A	Hardin County Commissioners
2009-004	Continue with the contract as written	N/A	Hardin County Commissioners

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Mary Taylor, CPA
Auditor of State

HARDIN COUNTY FINANCIAL CONDITION

HARDIN 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
SEPTEMBER 28, 2010**