



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARDIN COUNTY FINANCIAL CONDITION

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REPORT OF INDEPENDENT ACCOUNTANTS

Hardin County
One Courthouse Square, Suite 100
Kenton, Ohio 43326

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Hardin County, (the County) as of and for the year ended December 31, 1999, as listed in the table of contents. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the component unit, Harco Industries, Inc., which represent 12 percent and 61 percent, respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion on the general-purpose financial statements, insofar as it relates to the amounts included for the component unit, Harco Industries, Inc., is based on the report of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the component unit, Harco Industries, Inc., were not audited, by the other auditors, 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 that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Hardin County, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2000 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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

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

Jim Petro
Auditor of State

June 16, 2000

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Hardin County
Combined Balance Sheet
All Fund Types, Account Groups
and Discretely Presented Component Units
December 31, 1999

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
Equity in Pooled Cash and Cash Equiv Cash and Cash Equivalents in	\$1,620,926	\$5,267,573	\$157,198	\$145,609	\$351,300	\$36,517
Segregated Accounts	0	57,018	0	0	0	0
Investments	0	0	0	0	0	0
Receivables:						
Taxes	264,352	0	0	0	0	0
Accounts	22,150	50,277	0	0	286,517	36,615
Special Assessments	0	0	0	0	0	0
Accrued Interest	69,525	0	0	0	0	0
Due from Other Governments	65,150	202,104	0	391,927	0	0
Due from Agency Funds-Taxes	1,100,252	1,809,119	0	0	0	0
Due from Agency Funds-Spec Asmt	0	523,065	29,299	70,931	8,446	0
Materials and Supplies Inventory	0	102,192	0	0	0	0
Notes Receivable	0	371,724	0	0	0	0
Loans Receivable	0	0	0	73,468	0	0
Prepaid Items	38,559	1,684	0	0	12,065	0
Restricted Assets:						
Investments	0	0	0	0	0	0
Interfund Receivable	8,490	0	0	0	0	0
Advances to Other Funds	100,000	0	0	0	0	0
Fixed Assets, (Net where applicable of Accumulated Depreciation)	0	0	0	0	627,736	0
Other Debits						
Amount Available in Debt Service	0	0	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0	0	0
Total Assets	<u>\$3,289,404</u>	<u>\$8,384,756</u>	<u>\$186,497</u>	<u>\$681,935</u>	<u>\$1,286,064</u>	<u>\$73,132</u>

<u>Fiduciary Fund Types</u>	<u>Account Groups</u>		<u>Total Primary Government (Memorandum Only)</u>	<u>Component Units</u>	<u>Totals Reporting Entity (Memorandum Only)</u>
<u>Trust and Agency</u>	<u>General Fixed Assets</u>	<u>General Long-Term Obligations</u>			
\$2,886,974	\$0	\$0	\$10,466,097	\$0	\$10,466,097
128,197	0	0	185,215	96,062	281,277
33,000	0	0	33,000	0	33,000
12,151,080	0	0	12,415,432	0	12,415,432
1,885	0	0	397,444	23,467	420,911
746,210	0	0	746,210	0	746,210
395	0	0	69,920	0	69,920
127,103	0	0	786,284	0	786,284
0	0	0	2,909,371	0	2,909,371
0	0	0	631,741	0	631,741
0	0	0	102,192	1,884	104,076
0	0	0	371,724	0	371,724
0	0	0	73,468	0	73,468
0	0	0	52,308	0	52,308
186,281	0	0	186,281	0	186,281
0	0	0	8,490	0	8,490
0	0	0	100,000	0	100,000
0	5,321,441	0	5,949,177	399,202	6,348,379
0	0	157,198	157,198	0	157,198
0	0	5,158,788	5,158,788	0	5,158,788
<u>\$16,261,125</u>	<u>\$5,321,441</u>	<u>\$5,315,986</u>	<u>\$40,800,340</u>	<u>\$520,615</u>	<u>\$41,320,955</u>

Hardin County
Combined Balance Sheet
All Fund Types, Account Groups
and Discretely Presented Component Units
December 31, 1999

	<u>Governmental Fund Types</u>				<u>Proprietary Fund Types</u>	
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
LIABILITIES, EQUITY AND OTHER CREDITS						
LIABILITIES:						
Accounts Payable	\$123,495	\$440,980	\$0	\$0	\$69,266	\$0
Contracts Payable	84,825	84,825	0	458,732	18,800	0
Retainage Payable	0	0	0	8,466	0	0
Accrued Wages and Benefits	85,578	151,110	0	0	59,863	0
Compensated Absences Payable	5,987	20,852	0	0	95,443	0
Due to Other Governments	141,439	193,522	0	0	72,174	0
Due to County Funds-Taxes	0	0	0	0	0	0
Due to County Funds-Special Assmt	0	0	0	0	0	0
Deferred Revenue	1,099,583	2,277,026	29,299	70,931	8,446	0
Deposit Held for Others	0	57,018	0	0	0	0
Undistributed Monies	0	0	0	0	0	0
Payroll Withholdings	0	0	0	0	0	0
Mortgage Loan Payable	0	0	0	0	0	0
Claims Payable	0	0	0	0	0	229,361
Advances From Other Funds	0	0	0	0	100,000	0
Interfund Payable	0	8,490	0	0	0	0
Post Closure Care Payable	0	0	0	0	0	0
Capital Leases Payable	0	0	0	0	0	0
OWDA Loans Payable	0	0	0	0	0	0
OPWC Loans Payable	0	0	0	0	0	0
Obligation for Containment Wall	0	0	0	0	0	0
General Obligation Bonds Payable	0	0	0	0	0	0
Special Assessment Debt with Governmental Commitment	0	0	0	0	0	0
Total Liabilities	1,540,907	3,233,823	29,299	538,129	423,992	229,361
Fund Equity and Other Credits						
Investment in General Fixed Assets	0	0	0	0	0	0
Retained Earnings:						
Reserved:						
Reserved For Claims	0	0	0	0	0	(156,229)
Unreserved	0	0	0	0	862,072	0
Fund Balance:						
Reserved for Encumbrances	14,322	0	0	0	0	0
Reserved for Inventory	0	102,192	0	0	0	0
Reserved for Prepaid Items	38,559	1,684	0	0	0	0
Reserved for Debt Service	0	0	157,198	0	0	0
Reserved for Trust Principal	0	0	0	0	0	0
Reserved for Advances	100,000	0	0	0	0	0
Reserved for Notes Receivable	0	371,724	0	0	0	0
Reserved for Tax Revenue						
Unavailable for Appropriations	59,226	55,158	0	0	0	0
Unreserved:						
Undesignated	1,536,390	4,620,175	0	143,806	0	0
Total Fund Equity	1,748,497	5,150,933	157,198	143,806	862,072	(156,229)
Total Liabilities and Fund Equity	\$3,289,404	\$8,384,756	\$186,497	\$681,935	\$1,286,064	\$73,132

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Units	Totals Reporting Entity (Memorandum Only)
	General Fixed Assets	General Long-Term Obligations			
Trust and Agency					
\$127,693	\$0	\$0	\$761,434	1,632	\$763,066
0	0	0	647,182	0	647,182
0	0	0	8,466	0	8,466
19,165	0	0	315,716	3,621	319,337
0	0	568,674	690,956	3,266	694,222
11,888,306	0	0	12,295,441	0	12,295,441
2,909,371	0	0	2,909,371	0	2,909,371
631,741	0	0	631,741	0	631,741
0	0	0	3,485,285	0	3,485,285
0	0	0	57,018	1,900	58,918
177,407	0	0	177,407	0	177,407
0	0	0	0	2,955	2,955
0	0	0	0	125,844	125,844
0	0	0	229,361	0	229,361
0	0	0	100,000	0	100,000
0	0	0	8,490	0	8,490
0	0	1,796,139	1,796,139	0	1,796,139
0	0	1,855	1,855	0	1,855
0	0	794,861	794,861	0	794,861
0	0	73,468	73,468	0	73,468
0	0	340,000	340,000	0	340,000
0	0	1,635,000	1,635,000	0	1,635,000
0	0	105,989	105,989	0	105,989
15,753,683	0	5,315,986	27,065,180	139,218	27,204,398
0	5,321,441	0	5,321,441	0	5,321,441
0	0	0	(156,229)	0	(156,229)
0	0	0	862,072	381,397	1,243,469
1,097	0	0	15,419	0	15,419
0	0	0	102,192	0	102,192
0	0	0	40,243	0	40,243
0	0	0	157,198	0	157,198
186,281	0	0	186,281	0	186,281
0	0	0	100,000	0	100,000
0	0	0	371,724	0	371,724
0	0	0	114,384	0	114,384
320,064	0	0	6,620,435	0	6,620,435
507,442	5,321,441	0	13,735,160	381,397	14,116,557
\$16,261,125	\$5,321,441	\$5,315,986	\$40,800,340	\$520,615	\$41,320,955

Hardin County
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds
Primary Government
For the Year December 31, 1999

	<u>Governmental Fund Types</u>				<u>Fiduciary</u> <u>Fund Type</u>	<u>Totals</u> <u>(Memorandum</u> <u>Only)</u>
	<u>General</u>	<u>Special</u> <u>Revenue</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Expendable</u> <u>Trust</u>	<u>Primary Govt</u>
Revenues:						
Taxes	\$3,000,229	\$1,746,440	\$0	\$0	\$0	\$4,746,669
Charges for Services	713,955	746,947	0	0	0	1,460,902
Licenses and Permits	5,974	49,998	0	0	0	55,972
Fines and Forfeitures	26,785	83,975	0	0	0	110,760
Intergovernmental	989,992	7,716,423	0	391,927	0	9,098,342
Special Assessments	0	186,256	18,006	249,837	0	454,099
Investment Income	490,517	47,835	5,334	0	0	543,686
Rental Income	600	0	138,927	0	0	139,527
Other	105,081	695,958	0	0	41,414	842,453
Total Revenue	5,333,133	11,273,832	162,267	641,764	41,414	17,452,410
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,221,700	489,815	0	0	0	2,711,515
Judicial	794,362	280,323	0	0	0	1,074,685
Public Safety	1,463,147	285,148	0	0	0	1,748,295
Public Works	0	3,709,400	0	0	0	3,709,400
Health	0	69,057	0	0	0	69,057
Human Services	124,274	6,326,009	0	0	0	6,450,283
Conservation and Recreation	0	438	0	0	0	438
Economic Development and Assistance	0	187,232	0	0	0	187,232
Other	1,531	77,006	0	0	45,812	124,349
Capital Outlay	84,825	84,825	0	650,130	0	819,780
Debt Service:						
Principal Retirement	0	0	108,499	0	0	108,499
Interest and Fiscal Charges	0	0	150,514	0	0	150,514
Total Expenditures	4,689,839	11,509,253	259,013	650,130	45,812	17,154,047
Excess of Revenues Over (Under) Expenditures	643,294	(235,421)	(96,746)	(8,366)	(4,398)	298,363
Other Financing Sources (Uses):						
Other Financial Uses	(223,587)	0	0	0	(91)	(223,678)
Sale of Fixed Assets	1,489	82,499	0	0	0	83,988
Proceeds of Bonds	0	0	0	68,000	0	68,000
Proceeds of Loans	0	0	0	73,468	0	73,468
Operating Transfers - In	29,350	502,406	73,741	0	0	605,497
Operating Transfers - Out	(410,334)	(293,204)	0	0	(969)	(704,507)
Total Other Sources (Uses)	(603,082)	291,701	73,741	141,468	(1,060)	(97,232)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	40,212	56,280	(23,005)	133,102	(5,458)	201,131
Fund Balances (Deficit) at Beginning of Year	1,708,285	5,189,068	180,203	10,704	253,742	7,342,002
Restated - See Note 3 Increase (Decrease) in Reserve for Inventory	0	(94,415)	0	0	0	(94,415)
Fund Balances (Deficits) at End of Year	\$1,748,497	\$5,150,933	\$157,198	\$143,806	\$248,284	\$7,448,718

See accompanying notes to the general purpose financial statements.

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Hardin County
Combined Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual (Budget Basis)
All Governmental Fund Types and Expendable Trust Funds
For the Year Ended December 31, 1999

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$2,300,000	\$2,877,725	\$577,725	\$1,699,144	\$1,743,279	\$44,135
Charges for Services	570,000	713,955	143,955	901,000	743,217	(157,783)
Licenses and Permits	5,500	3,818	(1,682)	65,000	63,827	(1,173)
Fines and Forfeitures	20,000	26,519	6,519	84,340	72,942	(11,398)
Intergovernmental	769,000	946,019	177,019	7,379,987	7,761,058	381,071
Special Assessments	0	0	0	301,610	186,256	(115,354)
Investment Income	425,000	508,034	83,034	56,000	47,835	(8,165)
Rental Income	500	600	100	0	0	0
Other	90,000	103,330	13,330	1,493,302	808,145	(685,157)
Total Revenue	4,180,000	5,180,000	1,000,000	11,980,383	11,426,559	(553,824)
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,517,402	2,252,620	264,782	618,131	497,748	120,383
Judicial	877,653	775,780	101,873	649,735	299,991	349,744
Public Safety	1,547,595	1,475,032	72,563	391,190	285,534	105,656
Public Works	500	0	500	5,272,937	3,775,411	1,497,526
Health	0	0	0	90,675	69,202	21,473
Human Services	145,688	132,366	13,322	7,159,505	6,343,412	816,093
Conservation and Recreation	0	0	0	0	0	0
Economic Development and Assistance	0	0	0	640,000	187,232	452,768
Other	0	1,531	(1,531)	77,006	77,006	0
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0
Total Expenditures	5,088,838	4,637,329	451,509	14,899,179	11,535,536	3,363,643
Excess of Revenues Over (Under) Expenditures	(908,838)	542,671	1,451,509	(2,918,796)	(108,977)	2,809,819
Other Financing Sources (Uses):						
Other Financial Uses	(224,608)	(223,509)	1,099	0	0	0
Proceeds of Notes	0	0	0	0	0	0
Sale of Fixed Assets	1,000	1,489	489	50,000	82,499	32,499
Advances - In	0	16,980	16,980	8,490	46,980	38,490
Advances - Out	(100,000)	(116,980)	(16,980)	0	(46,980)	(46,980)
Operating Transfers - In	10,000	29,350	19,350	764,207	502,406	(261,801)
Operating Transfers - Out	(411,000)	(410,334)	666	(327,543)	(293,204)	34,339
Total Other Sources (Uses)	(724,608)	(703,004)	21,604	495,154	291,701	(203,453)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(1,633,446)	(160,333)	1,473,113	(2,423,642)	182,724	2,606,366
Fund Balances (Deficit) at Beginning of Year	1,603,356	1,603,356	0	4,504,247	4,504,247	0
Prior Year Encumbrances Appropriated	40,086	40,086	0	225,697	225,697	0
Fund Balances (Deficit) at End of Year	\$9,996	\$1,483,109	\$1,473,113	\$2,306,302	\$4,912,668	\$2,606,366

See accompanying notes to the general purpose financial statements.

Governmental Fund Types						Fiduciary Fund Type			
Debt Service Fund			Capital Projects Funds			Expendable Trust Funds			
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
18,006	18,006	0	317,837	249,837	(68,000)	0	0	0	
5,000	5,334	334	0	0	0	20,000	24,675	4,675	
135,000	138,927	3,927	0	0	0	0	0	0	
0	0	0	3,000	0	(3,000)	24,500	16,739	(7,761)	
158,006	162,267	4,261	320,837	249,837	(71,000)	44,500	41,414	(3,086)	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	0	0	0	133,948	48,357	85,591	
0	0	0	540,880	227,097	313,783	0	0	0	
108,547	108,499	48	0	0	0	0	0	0	
150,549	150,514	35	0	0	0	0	0	0	
259,096	259,013	83	540,880	227,097	313,783	133,948	48,357	85,591	
(101,090)	(96,746)	4,344	(220,043)	22,740	242,783	(89,448)	(6,943)	82,505	
0	0	0	0	0	0	(20,000)	(91)	19,909	
0	0	0	0	68,000	68,000	0	0	0	
0	0	0	0	0	0	0	0	0	
0	0	0	100,000	0	(100,000)	0	0	0	
0	0	0	0	0	0	0	0	0	
73,800	73,741	(59)	0	0	0	0	0	0	
0	0	0	0	0	0	(10,000)	(969)	9,031	
73,800	73,741	(59)	100,000	68,000	(32,000)	(30,000)	(1,060)	28,940	
(27,290)	(23,005)	4,285	(120,043)	90,740	210,783	(119,448)	(8,003)	111,445	
180,203	180,203	0	10,704	10,704	0	253,190	253,190	0	
0	0	0	44,165	44,165	0	2,000	2,000	0	
\$152,913	\$157,198	\$4,285	(\$65,174)	\$145,609	\$210,783	\$135,742	\$247,187	\$111,445	

Hardin County
Combined Statement of Revenues, Expenses
and Changes in Fund Equity
All Proprietary Fund Types, Non-Expendable Trust Funds, and
Discretely Presented Component Units
For the Year Ended December 31, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise	Internal Service	Nonexpendable Trust			
Operating Revenues:						
Charges for Services	\$2,909,018	\$1,056,035	\$0	\$3,965,053	\$250,620	\$4,215,673
Intergovernmental	17,656	0	0	17,656	0	17,656
Interest on Investments	0	0	12,319	12,319	0	12,319
Rental Income	0	0	0	0	33,870	33,870
Special Assessments	36,654	0	0	36,654	0	36,654
In-kind Contributions	0	0	0	0	\$39,119	39,119
Other Operating Revenues	60,226	250,207	1,340	311,773	51,929	363,702
Total Operating Revenues	<u>3,023,554</u>	<u>1,306,242</u>	<u>13,659</u>	<u>4,343,455</u>	<u>375,538</u>	<u>4,718,993</u>
Operating Expenses:						
Personal Services	1,999,966	0	0	1,999,966	160,320	2,160,286
Fringe Benefits	0	0	0	0	0	0
Contractual Services	127,592	0	0	127,592	46,567	174,159
Materials and Supplies	171,734	0	0	171,734	75,413	247,147
Claim Expense	0	1,415,167	0	1,415,167	0	1,415,167
Other Operating Expenses	438,873	0	12,974	451,847	29,427	481,274
Depreciation	69,436	0	0	69,436	12,623	82,059
Capital Outlay	18,800	0	0	18,800	11,538	30,338
Total Operating Expenses	<u>2,826,401</u>	<u>1,415,167</u>	<u>12,974</u>	<u>4,254,542</u>	<u>335,888</u>	<u>4,590,430</u>
Operating Income (Loss)	<u>197,153</u>	<u>(108,925)</u>	<u>685</u>	<u>88,913</u>	<u>39,650</u>	<u>128,563</u>
Non-Operating Revenue:						
Sale of Fixed Assets	1,931	0	0	1,931	0	1,931
Interest Income	0	0	0	0	1,348	1,348
Interest and Fiscal Charges	0	0	0	0	(9,156)	(9,156)
Total Non-Operating Revenue	<u>1,931</u>	<u>0</u>	<u>0</u>	<u>1,931</u>	<u>(7,808)</u>	<u>(5,877)</u>
Income (Loss) Before Operating Transfers	<u>199,084</u>	<u>(108,925)</u>	<u>685</u>	<u>90,844</u>	<u>31,842</u>	<u>122,686</u>
Operating Transfers - In	51,001	100,000	0	151,001	0	151,001
Operating Transfers - Out	<u>(51,991)</u>	<u>0</u>	<u>0</u>	<u>(51,991)</u>	<u>0</u>	<u>(51,991)</u>
Net Income (Loss)	<u>198,094</u>	<u>(8,925)</u>	<u>685</u>	<u>189,854</u>	<u>31,842</u>	<u>221,696</u>
Fund Equity at Beginning of Year	<u>663,978</u>	<u>(147,304)</u>	<u>258,473</u>	<u>775,147</u>	<u>349,555</u>	<u>1,124,702</u>
Restated - See Note 3						
Fund Equity at End of Year	<u>\$862,072</u>	<u>(\$156,229)</u>	<u>\$259,158</u>	<u>\$965,001</u>	<u>\$381,397</u>	<u>\$1,346,398</u>

See accompanying notes to the general purpose financial statements.

Hardin County
Combined Statement of Revenues, Expenses, and
Changes in Fund Equity - Budget and Actual (Budget Basis)
All Proprietary Fund Types and Nonexpendable Trust Funds
For the Year Ended December 31, 1999

	Proprietary Fund Types						Fiduciary Fund Type		
	Enterprise Fund			Internal Service Fund			Non-Expendable Trust		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:									
Charges for Services	\$3,454,120	\$2,812,605	(\$641,515)	\$1,400,000	\$1,019,420	(\$380,580)	\$0	\$0	\$0
Special Assessments	37,000	36,654	(346)	0	0	0	0	0	0
Intergovernmental Revenue	17,650	17,657	7	0	0	0	0	0	0
Interest Income	0	0	0	0	0	0	13,000	12,264	(736)
Rental Income	13,500	13,418	(82)	0	0	0	0	0	0
Other Revenues	12,700	46,808	34,108	0	0	0	0	0	0
Other Operating Revenues	0	0	0	0	250,207	250,207	2,000	1,340	(660)
Total Revenue	3,534,970	2,927,142	(607,828)	1,400,000	1,269,627	(130,373)	15,000	13,604	(1,396)
Expenses:									
Current:									
Personal Services	2,034,272	1,524,829	509,443	0	0	0	0	0	0
Contractual Services	169,726	134,792	34,934	0	0	0	0	0	0
Materials and Supplies	255,099	219,455	35,644	0	0	0	0	0	0
Fringe Benefits	567,029	483,709	83,320	0	0	0	0	0	0
Claims and Judgements	0	0	0	1,400,000	1,346,634	53,366	0	0	0
Other Operating Expenses	612,300	572,907	39,393	0	0	0	18,857	14,361	4,496
Capital Outlay	158,784	138,047	20,737	0	0	0	0	0	0
Debt Service:									
Principal Retirement	0	0	0	0	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0	0	0	0	0
Total Expenses	3,797,210	3,073,739	723,471	1,400,000	1,346,634	53,366	18,857	14,361	4,496
Operating Income (Loss)	(262,240)	(146,597)	115,643	0	(77,007)	(77,007)	(3,857)	(757)	3,100
Non-Operating Revenues (Expenses):									
Sale of Fixed Assets	0	1,931	1,931	0	0	0	0	0	0
Advances - In	0	100,000	100,000	0	0	0	0	0	0
Advance Out	100,000	0	(100,000)	0	0	0	0	0	0
Total Non-Operating Revenues (Expenses)	100,000	101,931	1,931	0	0	0	0	0	0
Income (Loss) Before Operating Transfers	(162,240)	(44,666)	117,574	0	(77,007)	(77,007)	(3,857)	(757)	3,100
Operating Transfers In	100,000	51,001	(48,999)	0	100,000	100,000	0	0	0
Operating Transfers Out	(92,621)	(51,990)	(40,631)	0	0	0	0	0	0
Net Income (Loss)	(154,861)	(45,655)	109,206	0	22,993	22,993	(3,857)	(757)	3,100
Fund Equity (Deficit) at Beginning of Year	143,242	143,242	0	13,524	13,524	0	254,522	254,522	0
Prior Year Encumbrances Appropriated	69,862	69,862	0	0	0	0	4,000	4,000	0
Fund Equity at End of Year	\$58,243	\$167,449	\$109,206	\$13,524	\$36,517	\$22,993	\$254,665	\$257,765	\$3,100

See accompanying notes to the general purpose financial statements.

Hardin County
Combined Statement of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds, and
Discretely Presented Component Units
For the Year Ended December 31, 1999

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust			
Cash Flows from Operating Activities:						
Cash Received for Services	\$2,927,141	\$1,269,627	\$13,604	\$4,210,372	381,328	4,591,700
Cash Paid To Employees	(2,008,038)	0	0	(2,008,038)	(161,317)	(2,169,355)
Cash Paid for Medical Claims	0	(1,346,634)	0	(1,346,634)	0	(1,346,634)
Cash Paid for Goods and Services	(693,508)	0	(13,361)	(706,869)	(160,353)	(867,222)
Net Cash Provided by Operating Activities	<u>225,595</u>	<u>(77,007)</u>	<u>243</u>	<u>148,831</u>	<u>59,658</u>	<u>208,489</u>
Cash Flows from Investing Activities:						
Interest on Investments	0	0	0	0	1,348	1,348
Proceed from sale of assets	<u>1,931</u>	<u>0</u>	<u>0</u>	<u>1,931</u>	<u>0</u>	<u>1,931</u>
Net Cash Provided from Investing Activities	<u>1,931</u>	<u>0</u>	<u>0</u>	<u>1,931</u>	<u>1,348</u>	<u>3,279</u>
Cash Flows from Financing Activities:						
Purchase of Fixed Assets	(188,341)	0	0	(188,341)	(939)	(189,280)
Interest Paid	0	0	0	0	(9,156)	(9,156)
Principal Paid on Mortgage Loans	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(7,226)</u>	<u>(7,226)</u>
Net Cash Provided by Financing Activities	<u>(188,341)</u>	<u>0</u>	<u>0</u>	<u>(188,341)</u>	<u>(17,321)</u>	<u>(205,662)</u>
Cash Flows from Noncapital Financing Activities:						
Advance In	100,000	0	0	100,000	0	100,000
Operating Transfer - In	51,001	100,000	0	151,001	0	151,001
Operating Transfer - Out	<u>(51,991)</u>	<u>0</u>	<u>0</u>	<u>(51,991)</u>	<u>0</u>	<u>(51,991)</u>
Net Cash Provided by Noncapital Financing Activities	<u>99,010</u>	<u>100,000</u>	<u>0</u>	<u>199,010</u>	<u>0</u>	<u>199,010</u>
Net Increase (Decrease) in Cash	138,195	22,993	243	161,431	43,685	205,116
Cash, Beginning of Year	<u>213,105</u>	<u>13,524</u>	<u>258,520</u>	<u>485,149</u>	<u>52,377</u>	<u>537,526</u>
Cash, End of Year	<u>\$351,300</u>	<u>\$36,517</u>	<u>\$258,763</u>	<u>\$646,580</u>	<u>\$96,062</u>	<u>\$742,642</u>
			Reconciliation of Nonexpendable Trust to Combined Balance Sheet Per Balance Sheet:	\$3,234,452		
			Less: Agency Funds Expendable Trust	(2,726,482)		
				<u>(249,207)</u>		
				<u>\$258,763</u>		
Reconciliation of Net Income to Net Cash Provided by Operating Activities:						
Operating Income	<u>\$197,153</u>	<u>(\$108,925)</u>	<u>\$685</u>	<u>\$88,913</u>	<u>39,650</u>	<u>128,563</u>
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:						
Depreciation Expense	69,436	0	0	69,436	12,623	82,059
Net (Increase) Decrease in Tax Receivable	0	0	386	386	0	386
Net (Increase) Decrease in Accounts Receivable	(60,463)	(36,615)	0	(97,078)	5,790	(91,288)
(Increase) Decrease in Special Assessment Receivable	8,995	0	0	8,995	0	8,995
(Increase) Decrease in Due to Other Governments	(8,446)	0	0	(8,446)	0	(8,446)
(Increase) Decrease in Inventories	0	0	0	0	4,069	4,069
(Increase) Decrease in Prepaid Items	298	0	0	298	0	298
Increase (Decrease) in Accounts Payable	27,243	0	(387)	26,856	(2,498)	24,358
Increase (Decrease) in Accrued Wages and Benefits	(3,922)	0	0	(3,922)	(1,174)	(5,096)
Increase (Decrease) in Compensated Absences Pay	4,808	0	0	4,808	765	5,573
Increase (Decrease) in Payroll Withholding	0	0	0	0	(588)	(588)
Increase (Decrease) in Claims Payable	0	68,533	0	68,533	0	68,533
Increase (Decrease) in Due to Other Governments	(8,958)	0	0	(8,958)	0	(8,958)
Increase (Decrease) in Deferred Revenue	(549)	0	(441)	(990)	0	(990)
Increase (Decrease) in Deposits and Held for Others	0	0	0	0	1,021	1,021
Purchased of Fixed Assets through Accounts Payable	0	0	0	0	0	0
Total Adjustments	<u>28,442</u>	<u>31,918</u>	<u>(442)</u>	<u>59,918</u>	<u>20,008</u>	<u>79,926</u>
Net Cash Provided by Operating Activities	<u>\$225,595</u>	<u>(\$77,007)</u>	<u>\$243</u>	<u>\$148,831</u>	<u>\$59,658</u>	<u>\$208,489</u>

See accompanying notes to the general purpose financial statements.

HARDIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999

NOTE 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, street, highway, ditch and bridge repair, maintenance and construction, waste disposal transfer services and mental retardation 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 general purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and component units for which Hardin County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government. Based on the foregoing criteria, the financial activities of the following PCU's have been reflected in the accompanying general purpose financial statements as follows:

A. Discretely Presented Component Unit

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 Mental Retardation and Developmental Disabilities (MRDD), provides sheltered employment for adults with mental retardation or developmental disabilities in Hardin County.

The Hardin County Board of MRDD 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 mentally retarded or developmentally disabled adults of Hardin County, the Workshop is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

A. Discretely Presented Component Unit (Continued)

HARCO Industries, Inc. (Continued)

The Workshop is presented as a proprietary fund type, and has been combined with the Hardin County Housing Development Inc. and the Airport Authority in the Component Units column of the financial statements. Complete financial statements for Harco Industries, Inc. may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

The discretely presented component unit (HARCO Industries, Inc.) has a fiscal year end of June 30, 1999, however, the annualized amounts 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 Workshop, under a contractual agreement with the Hardin County Board of Retardation and Developmental Disabilities, provides capital facilities for mental hygiene and retardation services for adults with mental retardation or developmental disabilities in Hardin County. The Hardin County Board of MRDD 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 mentally retarded or developmentally disabled adults of Hardin County, HCHD is reflected as a component unit of the County. It is reported separately to emphasize that it is legally separate from the County. HCHD is presented as a proprietary fund type, and has been combined with Harco Industries Inc. and the Airport Authority in the Component Units column of the financial statements. Complete financial statements for HCHD may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

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 presented as a proprietary fund type, and has been combined with Harco Industries Inc. and the Hardin County Housing Development, Inc. in the Component Units column of the financial statements. Complete financial statements for the Airport Authority may be obtained from Brenda Broseke 1040 West Franklin Street, Kenton, Ohio 43326.

B. Jointly Governed Organizations

West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

B. Jointly Governed Organizations (Continued)

West Central Ohio Network (Continued)

The Board of Directors is made up of the Superintendents from each of these MRDD 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 Mental Retardation and Developmental Disabilities.

Hardin Regional Planning Commission

The Hardin 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.

Job Training Partnership Consortium

The Governor has designated Allen, Auglaize, Hardin and Mercer Counties as a Service Delivery Area. A Job Training Partnership Agreement between Allen, Auglaize, Hardin and Mercer County Consortium and the Private Industry Council (PIC) was entered into pursuant to the provisions of the Job Training Partnership Act of 1982 (the Act) Public Law 97-300. Funds for the operations of the JTPA are received through grant revenues from the State of Ohio.

The JTPA is funded through federal, state and private funds for which JTPA Service Delivery Office #2 is empowered to administer as fiscal agent on behalf of the PIC. The Allen County Job Training Partnership #2 Office, has been designated by the PIC as the administrative entity, responsible for the administration of the job training plan as formulated by the combined efforts of the Administrative Entity, the Chief Elected Official from each of the four counties and the PIC.

Each Board of County Commissioners must choose a Chief Elected Official (CEO) to represent the County in the JTPA. The CEO is responsible for approving job training plans, grants, policies and operating guidelines for the administration of the programs, delegation of duties for the programs and appointment or termination of the Director of the Job Training Partnership #2 Office. The PIC is responsible for assisting the CEO's in approving job training plans, grants, policies, and operating guidelines for the administration of the training programs and the adoption of a Code of Regulations (By-Laws).

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

B. Jointly Governed Organizations (Continued)

Family and Children First Council

The Family and Children First Council provides services to multi-need youth in Hardin County. Members of the council include the Hardin County Board of Mental Retardation, 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 council is controlled by an advisory committee which consists of a representative from each agency. Funding comes mainly from the State of Ohio.

C. Joint Ventures

Alcohol, Drug Addiction and Mental Health Services of Allen, Auglaize, and Hardin Counties

The Alcohol, Drug Addiction and Mental Health Services Board (ADAMHS) 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.

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 ADAMHS 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 ADAMHS 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 ADAMHS 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 1999, tax revenues generated by the levy in Hardin County was \$ 126,301, which represents four percent of the total revenue. Complete financial statements can be obtained from the ADAMHS Board, Allen County, Ohio.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

C. Joint Ventures (Continued)

Marion Hardin Correctional Center

The Marion Hardin Correctional Center, is a jointly established non-profit corporation whose 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 Correctional Center is governed by a Joint County Corrections Commission. The Commission shall be 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 Marion Hardin County Jail Commission is a joint venture between Marion and Hardin Counties. The Commission has no outstanding debt as of December 31, 1999. The Commission has not accumulated significant financial resources, nor is the commission 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, Michele Pearson, 100 North Main 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, a group primary and excess insurance/self-insurance and risk management program.

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

Each member 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.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

D. Risk Pools (Continued)

**County Commissioner Association of Ohio Workers' Compensation Group Rating Plan
(Continued)**

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.

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. Excluded 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:

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY (Continued)

F. Excluded Potential Component Units(Continued)

Hardin County General Health District

The six 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 Regional Planning Commission, Hardin County Veterans Memorial Park District, and the County Agricultural Society are also not a part of the County entity although they are presented as agency funds within the County's financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of Hardin County conform to generally accepted accounting principles as applicable to governmental entities. The following is a summary of its significant accounting policies:

A. Basis of Presentation - Fund Accounting

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate.

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The following fund types and account groups are used by the County:

Governmental Funds:

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund. The general fund balance is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

Special Revenue Funds - The special revenue funds are used to account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

HARDIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds: (Continued)

Debt Service Funds - The debt service funds are used to account for the accumulation of financial resources for, and the payment of, general obligation long-term debt principal, interest and related costs.

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by the proprietary funds).

Proprietary Funds:

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

Internal Service Funds - The internal service funds are used to account for the financing on a cost-reimbursement basis of goods or services provided by one County department or agency to other departments, agencies, or political subdivisions. Charges to the users are intended to recover total cost.

Fiduciary Funds:

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust, non-expendable trust and agency funds. Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent. Expendable trust funds are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial (assets equal liabilities) and thus, do not involve measurement of results of operations.

Account Groups:

General Fixed Assets Account Group - The General Fixed Assets Account Group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The General Long-Term Obligations Account Group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

Component Units:

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statement to be misleading or incomplete.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting

Primary Government

The modified accrual basis of accounting is followed for governmental and expendable trust funds. Under the modified accrual basis of accounting, revenues are recognized in the period when measurable and available to meet obligations incurred during the year. The County defines available as meaning collectible within 30 days of year-end. Revenues which are accrued include earnings on investments; delinquent real and personal property taxes; sales taxes; federal and state grants and subventions; and charges for current services.

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Special assessments and accrued interest receivable are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 1999, but are intended to finance 2000 operations, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenue.

The only revenue sources not susceptible to accrual include dog and vendor licenses, donations, and some fines and forfeitures.

Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long term obligation principal and interest is reported only when paid, and the costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

The proprietary and non-expendable trust funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet.

Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Accounting (Continued)

Primary Government (Continued)

The agency funds, being custodial in nature, are merely "assets equal liabilities" and, thus, do not involve the measurement of results of operations. Agency funds are accounted for using the modified accrual basis of accounting.

Component Units

Harco Industries, Housing Development, Inc. and the Airport Authority use the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred.

C. Budgetary Data

Outlined below are the procedures followed by the County to establish the annual operating budget and budgetary data reported in the Combined Statement of Revenues, Expenditures (and Expenses) and Changes in Fund Balance - Budget and Actual (Budget Basis):

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. The County is accorded discretion in its method of appropriating federal funds. 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 1999 and were considered routine.
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.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data (Continued)

8. The budgetary procedures described herein apply to all funds except the agency funds.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that 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 modified accrual basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting.

E. Cash and Investments

To improve cash management, all cash received by the County is pooled, except for cash held in segregated accounts. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund 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 combined balance sheet.

During the year 1999, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes, federal agency securities, and commercial paper.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. The repurchase agreement account was closed by year end.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 1999. STAR Ohio is an investment pool management 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 at which the investment could be sold December 31, 1999.

With the exception of the investments invested for Pike Repair, Law Enforcement Block Grant and Revolving Loan Special Revenue Funds, the Clark Bailey and the Chase Stewart Non-Expendable Trust Funds, all interest on investments held by the Treasurer is credited to the County General Fund. Interest income earned in 1999 by the General Fund, Special Revenue, Debt Service and the Non-Expendable Trust Funds totaled \$490,517, \$47,835, \$5,334 and \$12,319, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

HARDIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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.

G. Inventories of Materials and Supplies

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

H. Property, Plant, Equipment, and Depreciation

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original cost was not available, estimated historical costs were developed. Donated fixed assets are capitalized at fair market value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements which extend the useful life or increase the capacity or operating efficiency of the asset are capitalized at cost. The cost of interest on debt issued for construction in progress is not capitalized.

1. General Fixed Assets Account Group

The County follows the policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County (i.e. roads, bridges, etc.); ornamental artifacts; and assets with a cost of less than \$400. Accumulated depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Enterprise Funds

Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

Description	Estimated Life
Autos and trucks	5
Machinery, equipment, furniture and fixtures	5-15
Building improvements	15
Sewer and water treatment plants and buildings	30
Other buildings	25-50
Sewer and water mains	50

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

HARDIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999 (Continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Compensated Absences

Compensated absences of the County consist of vacation leave, personal leave, compensatory leave, and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from Proprietary funds are recorded as an expense when earned.

County employees earn vacation at varying rates ranging from two to four weeks per year. Sick leave is accumulated at the rate of three weeks per year. Vacation and sick leave is accumulated on an hours-worked basis. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits except as required by GASB 16 (see above).

J. Intergovernmental Revenues

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs. Federal and State reimbursement type grants for the acquisition or construction of fixed assets in Proprietary funds are recorded as receivables and contributed capital when the related expenses are incurred. All other Federal and State reimbursement type grants are recorded as receivables and revenues when the related expenditures/expenses are incurred.

The County's Department of Human Services (Welfare) distributes federal food stamps to entitled recipients with Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's Department of Human Services distributed approximately \$857,165 of federal food stamps during 1999.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-term Obligations

Long-term obligations for general obligation bonds, vested sick and vacation leave, capital lease obligations, loans, postclosure care costs, and any claims or judgements that are expected to be paid from the governmental funds are shown in the General Long-Term Obligations Account Group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest. Generally accepted accounting principles require the allocation of the debt liability among the capital projects and enterprise funds, and the other general long-term obligations account group, with principal and interest payments on matured general obligation long-term debt being reported in the debt service fund.

L. Interfund Transactions

During the course of normal operations, the County has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expense in the reimbursed fund.
3. Short-term interfund loans, accrued interfund reimbursements, and accrued operating transfers are reflected as due to and from other funds. Interfund receivables and payables reflect the rental payments which are due within the available period for office space in the Courthouse Annex.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheets for those fund groups that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 7.

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

Hardin County reports amounts representing material and supply inventories, available debt service equity, encumbrances, advances, tax revenue unavailable for appropriation, and prepaid items, as reservations of fund balance in the governmental funds and the principal amount of the non-expendable trust endowments as a reservation of fund balance in the fiduciary funds.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Prepays and Deferrals

Prepayments and deferrals for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayment and deferrals are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carry value of the asset.

O. Statement of Cash Flows

In September 1989, the Governmental Accounting Standards Board (GASB) issued Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." The County has presented a statement of cash flows for its enterprise funds, internal service funds, nonexpendable trust funds and its component units. For purposes of the statement of cash flows, the County considers cash and cash equivalents to include "Equity in Pooled Cash and Cash Equivalents", "Investments", and "Cash and Cash Equivalents in Segregated Accounts".

P. Financial Reporting for Proprietary and Similar Fund Types

The County's financial statements have been prepared in accordance with Governmental Accounting Standards Board (GASB) Statement 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting." This Statement is effective for financial statements beginning after December 15, 1993. The County accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Q. Estimates

The preparation of these financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditure/expenses during the reporting period. Actual results could differ from those estimates.

R. Self-funded Insurance

The County is self-funded for health benefits. Each County fund is charged for its proportionate share of the cost for covered employees. Payment of these benefits is accounted for in an internal service fund. The County records a liability for incurred but unreported claims at year end. During 2000, the County changed benefit administrators. As a result, a cutoff date was imposed for filing claims, therefore the claims payable reported at December 31, 1999 is an actual instead of estimated amount.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Total Columns on Financial Statements

Total columns on the general-purpose financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund-type eliminations have not been made in the aggregation of this data.

When the title of a statement indicates that component units are included, two total columns are presented. The first is captioned "Primary Government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "Reporting Entity" and includes the activity and operations of the County's legally separate discretely presented component units (see Note 1) and primary government. The total column on statements which do not include component units have no additional captions.

NOTE 3 - PRIOR PERIOD ADJUSTMENTS

At the end of 1997 a fixed asset was setup as a payable but was not reversed properly in 1998. As an accounting error occurred a prior year adjustment is made in the Sewer District Fund, an enterprise fund.

The correction of an accounting error had the following effect on fund equity as it was previously reported as of December 31, 1998:

Net Income 12-31-98	<u>\$36,895</u>
Fund Equity, December 31, 1998	\$644,007
Cumulative Effect of an Accounting Correction	<u>19,971</u>
Fund Equity, December 31, 1998 as Restated	<u>\$663,978</u>

In 1999, several Capital Projects Funds for which construction was completed and fund activity was limited to the collection of special assessment revenue for the retirement of special assessment bond debt were reclassified as Debt Service Funds.

There is no significant change in the "Excess of Revenues and other Sources Over (Under) Expenditures and Other Uses". The reclassification had the following effect on fund equity as it was previously reported as of December 31, 1998:

	<u>Debt Service</u>	<u>Capital Projects</u>
Fund Equity, December 31, 1998	106,995	83,912
Cumulative Effect of Reclassification	73,208	(73,208)
Fund Equity, December 31, 1998 as Restated	180,203	10,704

HARDIN COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1999 (Continued)

NOTE 4 - ACCOUNTABILITY

Accountability

The internal service fund had a deficit fund balance in the amount of \$156,229 as of December 31, 1999, which was caused by the application of generally accepted accounting principles. The General Fund provides transfers to cover deficit balances, however, this is done as cash is needed rather than as accruals occur.

NOTE 5 - POOLED CASH AND CASH EQUIVALENTS, SEGREGATED CASH, INVESTMENTS AND DEPOSITS

Primary Government

The County maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents."

State statute categorizes public money into two categories. Active monies are public monies determined to be necessary to meet current demand 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.

Monies held by the County which are not considered active are classified as inactive. Inactive monies can 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 or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 5 - POOLED CASH AND CASH EQUIVALENTS, SEGREGATED CASH, INVESTMENTS AND DEPOSITS (Continued)

Primary Government (Continued)

7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Cash on Hand - At year end, the County had \$2,500 in undeposited cash on hand which is included on the balance sheet of the County as part of "Equity in Pooled Cash and Cash Equivalents."

Deposits - At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1, was \$1,518,810 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was \$2,173,220. Of the bank balance, \$690,974 was covered by federal depository insurance; and \$1,482,246 was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because the collateral pledged by the financial institution or their trust departments or agents was not in the County's name. Although the collateral was held by the pledging financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirement would potentially subject the County to a successful claim by the FDIC.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 5 - POOLED CASH AND CASH EQUIVALENTS, SEGREGATED CASH, INVESTMENTS AND DEPOSITS (Continued)

Primary Government (Continued)

Deposits - (Continued)

The pledging banks have investment and securities pools used to collateralize all public deposits. These pool have a market value at December 31, 1999, in excess of 110 percent of the public funds on deposit in each pledging bank. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

Investments - Statutory provisions require that the County Treasurer hold all securities acquired by the County or deposit them with a qualified trustee pursuant to Section 135.37 of the Ohio Revised Code.

GASB Statement 3, " *Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements*" requires that governments disclose the carrying amounts and market value of investments classified by risk.

Category 1 includes investments that are insured or registered or for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the County's name.

As of December 31, 1999, the County's investments were as follows:

	Not Categorized	Category 1	Category 2	Category 3	Carrying/ Fair Value
Federal National Mortgage Discount Notes	\$ 0	\$ 0	\$ 0	\$494,275	\$494,275
Federal Home Land Bank Discount Notes	0	0	0	999,200	999,200
U.S. Treasury Notes	0	0	0	1,986,757	1,986,757
Commercial Paper	0	0	496,438	0	496,438
Long-Term Certificates of Deposit	0	2,366,913	0	0	2,366,913
STAR Ohio	<u>3,005,700</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>3,005,700</u>
Total Investments	<u>\$3,005,700</u>	<u>\$2,366,913</u>	<u>\$496,438</u>	<u>\$3,480,232</u>	<u>\$9,349,283</u>

The classification of cash and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting."

A reconciliation between the classifications of pooled cash and cash equivalents and investments on the Combined Balance Sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 5 - POOLED CASH AND CASH EQUIVALENTS, SEGREGATED CASH, INVESTMENTS AND DEPOSITS (Continued)

Primary Government (Continued)

Investments - (Continued)

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$10,651,312	\$ 219,281
Investments	(6,124,302)	6,124,302
StarOhio	(3,005,700)	3,005,700
Cash on Hand	<u>(2,500)</u>	<u>0</u>
Per GASB 3	<u>\$1,518,810</u>	<u>\$9,349,283</u>

Component Units

At year end, the carrying amount of the component units deposits was \$96,062. The entire balance was covered by federal depository insurance. The component units did not have investments at year end. There are no statutory guidelines regarding the deposit and investment of funds by not-for-profit corporations, which include HARCO Industries, Inc. and Hardin County Housing Development, Inc.

NOTE 6 - RECEIVABLES

Receivables at December 31, 1999 consisted of taxes, accounts, special assessments, interest, due from other governments, and due from Agency funds taxes and special assessments. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and special assessments, and accounts, the stable condition of State programs, and the current year guarantee of Federal funds. Proprietary fund accounts receivable are collectible in full due to Prosecuting Attorney collection procedures.

A summary of the principal items of receivables follows. For Intergovernmental Revenues only, the portion of receivables collected in the "available period" are recorded in the financial records.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 6 - RECEIVABLES (Continued)

	Amounts
<u>General Fund</u>	
Taxes - Current & Delinquent	\$264,352
Accounts	22,150
Accrued Interest	69,525
Due from Other Governments	65,150
Due from Agency Funds - Taxes	1,100,252
Interfund Receivable	8,490
<u>Special Revenue Funds</u>	
Accounts	50,277
Due from Other Governments	202,104
Due from Agency Funds - Taxes	1,809,119
Due from Agency Funds - Special Assessments	523,065
<u>Debt Service Funds</u>	
Due from Agency Funds - Special Assessments	29,299
<u>Capital Projects Funds</u>	
Due from Other Governments	391,927
Due from Agency Funds - Special Assessments	70,931
<u>Enterprise Funds</u>	
Accounts	286,517
Due from Agency Funds - Special Assessments	8,446
<u>Internal Service Funds</u>	
Accounts	36,615
Total Receivables	\$4,938,219

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund transactions at December 31, 1999 consist of the following:

	Due from Other Funds	Due to Other Funds
Short Term:		
General Fund	\$ 8,490	\$ 0
Special Revenue:		
Litter Control	<u>\$ 0</u>	<u>\$8,490</u>
Long Term:		
General	\$100,000	\$ 0
Enterprise:		
Solid Waste Disposal	<u>\$ 0</u>	<u>\$100,000</u>

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 8 - 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% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which the 1999 taxes were collected was \$337,868,242.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 1999, was \$9.95 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.95 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 \$8.80 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.77 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.

Real Property - 1998 Valuation	
Residential	\$139,509,510
Agriculture	73,562,530
Commercial	30,021,600
Industrial	13,570,530
Public Utilities	397,940
Tangible Personal Property -1999 Valuation	
General	52,264,322
Public Utilities	<u>28,541,810</u>
Total Valuation	<u>\$337,868,242</u>

Real property taxes for tax year 1999 are payable annually or semi-annually. If paid annually, payment is due February 10, 1999. If paid semi-annually, the first payment is due February 10, 1999 and the remainder payable by July 20, 1999. 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. Collections of the taxes and remittance of them 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.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 8 - PROPERTY TAXES(Continued)

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end. Since the current levy is not intended to finance 1999 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 30 days of 1999 are shown as 1999 revenue; the remainder are shown as "Deferred Revenue".

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.

NOTE 9 - PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one percent tax on retail sales made in the County, except storage, use, or consumption in the County of tangible personal property, not subject to the sales tax. 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 Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the General Fund. Amounts measurable at year-end and to be received within the available period are accrued as revenue.

NOTE 10 - FIXED ASSETS

A summary of the General Fixed Assets Account Group fund property, plant, and equipment at December 31, 1999 follows:

	Balance January 1, 1999	Additions	Disposals	Balance December 31, 1999
Land	\$ 403,990	\$ 0	\$ 0	\$403,990
Buildings	4,281,027	302,565	0	4,583,592
Construction in Progress	286,324	169,650	286,324	169,650
Land Improvements	13,280	0	0	13,280
Equipment	977,984	139,228	75,566	1,041,646
Furniture	371,322	23,681	16,316	378,687
Vehicles	<u>2,958,969</u>	<u>283,126</u>	<u>296,169</u>	<u>2,945,926</u>
Total Cost Value	9,292,896	918,250	674,375	9,536,771
Accumulated Depreciation	<u>4,182,325</u>	<u>421,056</u>	<u>(388,051)</u>	<u>4,215,330</u>
Total Book Value	<u>\$ 5,110,571</u>	<u>\$ 497,194</u>	<u>\$286,324</u>	<u>\$5,321,441</u>

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 10 - FIXED ASSETS

A summary in proprietary funds is as follows:

	County Home	Sewer District	Solid Waste Disposal	Total
Land	\$ 39,534	5,530	2,633	\$47,697
Buildings	652,256	77,393	80,691	810,340
Land Improvements	0	692	0	692
Equipment	244,399	7,936	102,300	354,635
Furniture	46,789	0	890	47,679
Vehicles	87,614	0	259,993	347,607
Infrastructure	<u>0</u>	<u>123,900</u>	<u>0</u>	<u>123,900</u>
Total Cost Value	1,070,592	215,451	446,507	1,732,550
Accumulated Depreciation	<u>759,550</u>	<u>111,483</u>	<u>233,781</u>	<u>1,104,814</u>
Total Book Value	<u>\$ 311,042</u>	<u>\$ 103,968</u>	<u>\$212,726</u>	<u>\$ 627,736</u>

NOTE 11 - COMPENSATED ABSENCES

Vacation, personal, and sick leave accumulated by governmental fund type employees has been recorded in the General Long-Term Obligations Account Group, while overtime earned (compensatory leave) has been recorded as individual fund liabilities. Vacation, personal, and sick leave, and overtime in the proprietary funds is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to 50% of their accumulated sick leave not to exceed 75 days, plus all accumulated vacation, personal and overtime. Proprietary funds and Component Units report the total liability for compensated absences in the funds. All governmental fund types report liabilities for compensated absences which were paid during the available period in the fund. The long-term portion of the liability is reflected in the General Long-Term Obligations Account Group. At December 31, 1999 the current portion of benefits for governmental fund types and the total liability for the proprietary fund types and component units employees totaled \$125,548. The total liability for compensated absences for all governmental fund types, proprietary fund types, component units and General Long-Term Obligations Account Group is \$694,222.

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS

The County's long-term debt and other obligations at year end consisted of general obligation bonds, special assessment bonds, Ohio Water Development Authority (OWDA) Loans, Ohio Public Works Commission (OPWC) Loans, Compensated Absences, Capital Leases and Post Closure Landfill Obligation which are recorded in the General Long-Term Obligations Account Group. At the present time there is no long-term debt recorded as fund liabilities of the enterprise funds.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. The County's long term debt transactions for the year ended December 31, 1999, are summarized below:

	Debt principal or other obligations outstanding January 1, 1999	Debt principal or other obligations issued in 1999	Debt principal or other obligations retired in 1999	Debt Principal or other obligations Outstanding December 31, 1999
General Obligation Bonds	\$1,690,000	\$ 0	\$ (55,000)	\$ 1,635,000
Special Assessments with Government Commitment	55,195	68,000	(17,206)	105,989
OWDA Landfill Closure	831,112	-	(36,251)	794,861
Post Closure Obligation	1,830,745	-	(34,606)	1,796,139
OPWC Loan	0	73,468	0	73,468
Compensated Absences	521,962	46,712	-	568,674
Capital Leases	3,980	-	(2,125)	1,855
Estimated Obligation for Containment Wall	0	340,000	0	340,000
Total Debt and Other Obligations	<u>\$ 4,932,994</u>	<u>\$ 528,180</u>	<u>\$ (145,188)</u>	<u>\$ 5,315,986</u>

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 Special Assessment bonds were used to construct and improve ditches and are to be retired through assessments against benefitted property owners. Each appropriate bond indenture provides for principal and interest to be paid from uses charges. In the event the property owners default on their special assessment obligations, the County is obligated to meet the debt service requirements from County funds.

The total maximum amount borrowed by the County under the OWDA Loan was \$960,824. 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.

During 1996 the County engaged a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study will be subject to review by the Ohio Environmental Protection Agency. The study estimates that approximately \$1,890,000 will be incurred after the closure is completed over a thirty year period. This obligation has been recorded in the General Long Term Obligations Account Group. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

A. (Continued)

The county obtained an assurance bond 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 will finance the post closure costs when they begin.

During 1999 the County completed a bridge project which was financed in part with an OPWC OPWC loan to the County for \$73,468. The loan obligation is recorded in the General Long Term Obligations Account Group. The loan is scheduled for repayment over a twenty year period beginning July 2000.

The following is a description of the bonds that existed in 1999 and were outstanding as of December 31, 1999:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Original Amount</u>	<u>Paid Amount</u>	<u>Outstanding Amount</u>	<u>Maturity Date</u>
<u>General Long-Term Obligations Account Group</u>						
County Courthouse Annex General Obligation Bonds	12-91	4.5% to 6.625%	\$1,960,000	\$325,000	\$1,635,000	12-2016
Special Assessment Bonds:						
Rose Ditch	5-95	6.5%	\$5,700	\$4,560	\$ 1,140	5-1999
Snider-Gast Ditch	11-94	4.75%	14,600	14,600	0	11-1999
Sheldon Ditch	8-95	5.60%	15,000	11,665	3,335	8-1999
Conner Jt Ditch	98	5.14%	10,200	1,800	8,400	2003
Stutzman Ditch	98	5.12%	5,000	886	4,114	2003
Noe Ditch	98	5.14%	1,400	300	1,100	2003
Hess Ditch	98	6.00%	1,900	700	1,200	2002
Hughes Ditch	98	6.00%	1,500	600	900	2002
Coder Ditch	98	6.00%	4,500	2,900	1,600	2000
Hinton Ditch	98	6.00%	3,000	2,000	1,000	2000
Trent Ditch	98	4.97%	2,000	400	1,600	2003
Lautenschlager Ditch	98	4.97%	17,000	3,400	13,600	2003
Lease Ditch	99	5.00%	<u>68,000</u>	<u>-</u>	<u>68,000</u>	2004
Total Special Assessment						
Total Bond Debt			<u>\$2,109,800</u>	<u>\$368,812</u>	<u>\$1,740,989</u>	
OWDA Loan	7-97	4.56%	\$ 960,824	\$165,963	\$ 794,861	1-2014
OPWC Loan	7-99	0.00%	\$73,468	-	\$73,468	2010

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

B. The following is a summary of the County's future annual debt service requirements for long term debt:

	General Obligation Bonds Governmental Purposes	Special Assessment Bonds Government Commitment	OWDA Loan Landfill Closure	OPWC Loan	Totals
2000	\$ 161,996	\$ 33,716	\$ 73,741	\$ 3,673	\$ 273,126
2001	163,834	25,307	73,741	7,347	270,229
2002	165,294	24,394	73,741	7,347	270,776
2003	161,394	22,859	73,741	7,347	265,341
2004	162,088	14,280	73,741	7,347	257,456
2005-2009	809,250	-	368,707	36,734	1,214,691
2010-2014	817,600	-	368,707	3,673	1,189,980
2015-2016	<u>330,145</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>330,145</u>
Total	2,771,601	120,556	1,106,119	\$73,468	4,071,744
Less Interest	<u>1,136,601</u>	<u>14,567</u>	<u>311,258</u>	<u>-</u>	<u>1,462,426</u>
Principal	<u>\$ 1,635,000</u>	<u>\$ 105,989</u>	<u>\$ 794,861</u>	<u>\$ 73,468</u>	<u>\$ 2,609,318</u>

C. The County paid off the following special assessment notes during 1999:

Description	Issue Date	Interest Rate	Principal Amount
<u>Special Assessment Notes</u>			
General Long-Term Obligations Account Group:			
Snider-Gast Ditch	11-94	4.75%	\$ 2,920

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, 1999 are an overall debt margin of \$5,397,886 and an unvoted debt margin of \$1,829,862.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

C. (Continued)

Conduit Debt Obligations - In 1990, the County issued Hospital Improvement Variable Rate Demand Revenue Bonds to provide assistance to a "nonprofit hospital agency" pursuant to Chapter 140 of the Revised Code. The bonds are secured by the property financed and are payable solely from hospital receipts and by a pledge of and lien on the funds created under the trust indenture. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The principal amount payable at December 31, 1999 was \$1,150,000. The original issue was for \$1,500,000.

In 1999, the County entered into the "Participating Public Hospital Agencies Agreement" with the County of Clinton, Ohio. Clinton County is designated as the "issuer" for issuing Variable Rate Hospital Demand Revenue Bonds (Ohio Hospital Capital, Inc. Pooled Financing Program) to provide assistance to "Participating Hospital Agencies" which consist of nonprofit hospital agencies as that term is defined in Section 140.01, *Ohio Revised Code*. Currently the Hardin Memorial Hospital is a "participating public hospital agency". The bonds will be secured with interests in such hospital receipts, and in any other funds or revenues contributed to or received by the Participating Public Hospital Agencies with such program. A county's participation only involves its authorization to enter into the agreement and is not considered an obligation, indebtedness or liability of the participating county. Accordingly, there is no liability reported in the accompanying financial statements. Additional information can be obtained from the County of Clinton, Ohio Courthouse, 46 S. South Street, Wilmington, Ohio 45177.

Component Unit Debt - Hardin County Housing Development, Inc. which provides housing for the mentally retarded and developmentally disabled citizens had mortgage loans in the amount of \$125,844 at December 31, 1999. The loans are secured by the rental properties purchased. The Hardin County Mental Retardation and Developmental Disabilities Board of Directors have also signed a second mortgage for the rental properties.

Containment Wall Obligation

After year end, the County and the Environmental Protection Agency (EPA) concluded that a slurry containment wall would be erected in response to EPA monitoring. See also Note 21 Subsequent Events.

Capital Lease Obligations

The County has entered into certain other agreements to lease equipment. Such agreements are, in substance, lease purchases (capital leases) and are classified as capital lease obligations in the financial statements. The county's future minimum lease payments under lease obligations which have been capitalized as of December 31, 1999 are as follows:

Year	Capital Leases
2000	<u>\$1,898</u>
Total Minimum Lease Payments	1,898
Less: Amount Representing Interest	<u>43</u>
Present Value of Future Minimum Lease Payments	<u><u>\$1,855</u></u>

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 12 - LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

C. (Continued)

Operating Leases

The County pays \$3,259 annually for office space to the Soil Conservation Service.

NOTE 13 - PENSION OBLIGATIONS

Public Employees Retirement System (PERS)

All Hardin County full time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer defined benefit public employee retirement system created by the State of Ohio. (PERS) provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 1999 was 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The employer contribution rate was 13.55% of covered payroll, 9.35% was the portion used to fund pension obligations for 1999. The law enforcement employer rate was 16.70% of covered payroll and 12.5% was the portion used to fund pension obligations for 1999. The County's contributions for pensions obligations to PERS for the years ended December 31, 1999, 1998 and 1997 were \$1,044,765, \$1,031,303, and \$972,852, respectively; 74% has been contributed for 1999 and 100% for 1998 and 1997. \$271,404, representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

State Teachers Retirement System (STRS)

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14%; 12% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The county's contributions for pension obligations to STRS for the years ended December 31, 1999, 1998, and 1997 were \$35,830, \$33,502, and \$25,440, respectively; 88.8% has been contributed for 1999 and 100% for the years 1998 and 1997. \$4,000 representing the unpaid contribution for 1999, is recorded as a liability within the respective funds.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 14 - POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Public Employees Retirement System (PERS):

Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirees with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. PERS is funded on a pay-as-you-go basis.

The Ohio Revised Code provides statutory authority for employer contributions. The 1999 employer contribution rate for local government employers units the rate was 13.55% of covered payroll; 4.2% was the portion that was used to fund health care for the year 1999. The law enforcement employer rate for 1999 was 16.70% and 4.2% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS.

OPEB are financed through employer contributions and investment earnings there on. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

Expenditures for OPEB during 1999 were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062.

During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.2% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal costs rates were determined for retiree health care coverage.

STRS:

The County provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certificated employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

For STRS, all benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund from which payments for health care benefits are paid. As of June 30, 1999, eligible benefit recipients totaled 95,796. For the fiscal year ended June 30, 1999, net health care costs paid by STRS were \$249,929,000.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash (budget) basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are:

- a) Revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP).
- b) Expenditures are recorded when paid (budget) as opposed to when incurred (GAAP).
- c) Encumbrances are recorded as expenditures on the budgetary basis of accounting.
- d) Short-term note proceeds and note principal retirement for governmental funds and all debt principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- e) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

**EXCESS OF REVENUES AND OTHER FINANCING
SOURCES OVER (UNDER) EXPENDITURES AND OTHER
FINANCING USES--ALL GOVERNMENTAL FUND TYPES AND
EXPENDABLE TRUST FUNDS**

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ (160,333)	\$182,724	\$(23,005)	\$90,740	\$(8,003)
Net Adjustments Revenue & Other Sources	136,153	(199,707)	0	465,395	0
Net Adjustment for Expenditures	(73,425)	(281,640)	0	(423,033)	525
Encumbrances	<u>137,817</u>	<u>354,903</u>	<u>0</u>	<u>0</u>	<u>2,020</u>
GAAP Basis	<u>\$ 40,212</u>	<u>56,280</u>	<u>\$(23,005)</u>	<u>\$133,102</u>	<u>\$(5,458)</u>

**NET INCOME
NET INCOME (UNDER) EXPENSES
ALL PROPRIETARY FUND TYPES AND NON-EXPENDABLE TRUST FUNDS**

	Enterprise	Internal Service	Nonexpendable Trust
Budget Basis	(\$46,655)	\$22,993	(\$757)
Net Adjustments for Revenue Accruals	(2,587)	36,615	55
Net Adjustment for Expenditures	63,485	(68,533)	387
Increase (Decrease) in Net Assets Non-Budgeted	0	0	0
Encumbrances	<u>183,851</u>	<u>0</u>	<u>1,000</u>
GAAP Basis	<u>\$198,094</u>	<u>(\$8,925)</u>	<u>\$ 685</u>

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 16 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The County operates Enterprise Funds which provide shelter and nursing services for the elderly at the County Home, disposal and treatment of sewage, and waste disposal. The key financial information for the year ended December 31, 1999 for the individual enterprise funds is as follows:

	<u>County Home</u>	<u>Sewer District</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Operating Revenues	\$2,329,437	\$36,690	\$658,428	\$3,024,555
Operating Expenses	2,338,781	21,770	465,850	2,826,401
Depreciation	41,979	4,242	23,215	69,436
Operating Income(Loss)	(9,344)	14,920	191,577	197,153
Non Operating Revenue	1,931	0	0	1,931
Transfers-In	0	0	51,001	51,001
Transfers-Out	(3,998)	(11,993)	(36,000)	(51,991)
Net Income (Loss)	(11,411)	2,927	206,578	198,094
Fixed Assets	311,042	103,968	212,726	627,736
Fixed Asset Additions	136,486	0	85,106	221,592
Total Assets	746,807	146,773	392,484	1,286,064
Net Cash Flow	38,296	9,910	89,989	138,195
Net Working Capital	209,458	39,125	134,931	383,514
Total Equity	485,070	134,647	242,355	862,072

NOTE 17 - INDIVIDUAL COMPONENT UNIT DISCLOSURE

Condensed Balance Sheet

	Airport Authority	Housing Development, Inc.	Harco Industries, Inc.	Totals
Current Assets	\$39,371	\$ 20,383	\$ 61,659	\$121,413
Property, Plant, & Equip.	25,250	373,952	0	399,202
Current Liabilities	0	1,900	11,474	13,374
Mortgages Payable	0	125,844	0	125,844

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 17 - INDIVIDUAL COMPONENT UNIT DISCLOSURE (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Fund Equity

	Airport Authority	Housing Development, Inc.	Harco Industries, Inc.	Totals
Operating Revenues	\$107,330	\$ 39,028	\$229,180	\$375,538
Operating Expenses	<u>84,213</u>	<u>27,609</u>	<u>224,066</u>	<u>335,888</u>
Operating Income Income/(Loss)	<u>\$23,117</u>	<u>\$ 11,419</u>	<u>\$ 5,114</u>	<u>\$ 39,650</u>

Non-Cash Activity - Harco Industries, Inc. received contributions in-kind from the Mental Retardation and Development Disabilities Board (MRDD) as described in Note 19 in the amount of \$39,119. This amount is included in operating income and expense above.

NOTE 18 - 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 forty-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:

General Liability	\$1,000,000
Excess Liability Coverage	1,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Liability	1,000,000
Automobile Liability	1,000,000
Errors and Omissions	1,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	34,787,709
Other Property Insurance: Extra Expense	500,000
Building and Business Interruption Coverage	500,000

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 18 - RISK MANAGEMENT (Continued)

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation, dental, prescription and health insurance for those employees who do not choose to be in the County's self insurance program described below. Settled claims resulting from these risks have not exceeded CORSA'S and commercial insurance coverage in any of the past three fiscal years.

The County has elected to provide medical benefits through a self insured program for those employees who choose it. The maintenance of these benefits are accounted for in the County Employees Benefit Insurance Internal Service Fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$25,000 per individual. Incurred but not reported claims of \$229,361 have been accrued as a liability based on an estimate provided from Administrative Service Consultants.

The claims liability of \$229,361 reported in the internal service fund at December 31, 1999 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in funds' claims liability amounts for 1999 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
1999	\$160,828	\$1,415,167	\$1,346,634	\$229,361
1998	50,158	1,364,523	1,253,853	160,828
1997	57,349	601,081	608,272	50,158

NOTE 19 - RELATED PARTY TRANSACTIONS

During 1999, Hardin 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 \$39,119 for such contributions. HARCO Industries, Inc. recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the vocational purpose of the workshop.

NOTE 20 - CONTINGENT LIABILITIES

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 is 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, 1999.

HARDIN COUNTY

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(Continued)**

NOTE 20 - CONTINGENT LIABILITIES (Continued)

LITIGATION

The County is involved in no material litigation as either plaintiff or defendant.

NOTE 21 - SUBSEQUENT EVENTS

After year end, the County and the Environmental Protection Agency (EPA) concluded that a slurry containment wall would be erected in response to EPA monitoring. The estimated cost of the construction of the containment wall and redesigned monitoring is \$340,000 which is recorded in the General Long-Term Obligations Group in the accompanying financial statements.

**HARDIN COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

FEDERAL GRANTOR PASS THROUGH GRANTOR PROGRAM TITLE	CFDA NUMBER	PASS- THROUGH AGENCY NUMBER	DISBURSEMENTS
UNITED STATES DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Ohio Department of Development			
Small Cities Community Development Block Grant			
Entitlement Grant	14.228	B-F-97-030-1	2,020
Entitlement Grant	14.228	B-F-98-030-1	<u>176,192</u>
Total United States Department of Housing and Urban Development			<u>178,212</u>
UNITED STATES DEPARTMENT OF JUSTICE			
Passed through Office of Criminal Justice Services			
Hardin County Sheriff Department			
Law Enforcement Equipment Grant	16.592	96-LB-VX-6551	9,722
Hardin County Juvenile Court			
CORE Program	16.579	98-DG-F02-7001	72,142
Alternative School	16.540	98-JJ-IN4-0402	<u>23,426</u>
Total United States Department of Justice			<u>105,290</u>
UNITED STATES DEPARTMENT OF LABOR			
Passed through Job Training Partnership Agency, Service Delivery Area #2			
Title IIA	17.246	PY98-60-02-NI	8,573
Title IIA	17.246	PY99-60-02-NI	<u>10,980</u>
Total United States Department of Labor			<u>19,553</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Passed through Ohio Department of Education			
Special Education Cluster:			
Pre-School Grant	84.173	066027-PG-SI-99P	6,961
Pre-School Grant	84.173	066027-PG-SI-00P	<u>3,871</u>
Total Preschool			<u>10,832</u>
Title VI-B			
Title VI-B	84.027	066027-6B-SF-99P	8,489
Title VI-B	84.027	066027-6B-SF-00P	<u>6,607</u>
Total VI-B			<u>15,096</u>
Total Special Education Cluster			<u>25,928</u>
Child Reach			
Child Reach	84.181	8628-FY99	68,170
Child Reach	84.181	8628-FY00	<u>1,895</u>
Total Childreach			<u>70,065</u>
Total United States Department of Education			<u>95,993</u>
UNITED STATES DEPARTMENT OF AGRICULTURE			
Passed through Ohio Department of Education			
Nutrition Cluster:			
School Lunch Program	10.555	066027-03 & 04-PU	1,147
Food Distribution	10.550	066027-03 & 04-PU	<u>1,384</u>
Total United States Department of Agriculture - Nutrition Cluster			<u>2,531</u>
UNITED STATES DEPARTMENT OF HUMAN SERVICES			
Passed through Ohio Department of Mental Retardation and Developmental Disabilities			
Title XX	93.667	FY 98	20,574
Title XX	93.667	FY 99	8,150
Title XIX - CAFS	93.778		<u>114,982</u>
Total United States Department of Human Services			<u>143,706</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$545,285</u>

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

HARDIN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 1999**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes the activity of all federal award programs of Hardin County, Ohio. 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 of Federal Awards Expenditures 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)

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 at December 31, 1998.

Small Business Revolving Loans	Loans Receivable	Cash Balances
Beginning Balance	488,554	180,473
Loan Principal Repayments /Cash Receipts	116,830	145,948
Loan and Grant Disbursements/ Disbursements	0	9,020
Ending Balances	371,724	317,401

NOTE 4 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

The Hardin County Department of Mental Retardation and 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 Distribution Program.

NOTE 5 - OHIO DEPARTMENT OF HUMAN SERVICES

The Hardin County Department of Human Services, Children's Services Board, and Child Support Enforcement Agency received revenues from the State of Ohio Department of Human Services for the following federal programs:

Program	CFDA Number
Food Stamps	10.551
Family Support Payments to State	93.560
Social Services Block Grant	93.667
Child Support Enforcement	93.563
Foster Care	93.568
Adoption Assistance	93.667
Medical Assistance Program	93.778

These programs are subject to audit at the state level, and accordingly are not presented in the Schedule of Federal Awards Expenditures, however, the federal grant activity is presented in the financial statement section of our report.

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

Hardin County
One Courthouse Square, Suite 100
Kenton, Ohio 43326

To the Board of County Commissioners:

We have audited the financial statements of Hardin County (the County) as of and for the year ended December 31, 1999, and have issued our report thereon dated June 16, 2000. We did not audit the financial statements of the component unit, Harco Industries, Inc., which represent 12 percent and 61 percent, respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, Harco Industries, Inc., is based on the report of the other auditors. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the component unit, Harco Industries, Inc., were not audited in accordance with *Government Auditing Standards* and accordingly this report does not extend to that component unit.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 16, 2000.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design of operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule findings as items 1999-60233-001 and 1999-60233-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 16, 2000.

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

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

Jim Petro
Auditor of State

June 16, 2000



STATE OF OHIO
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Hardin County
One Courthouse Square, Suite 100
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 are applicable to its major federal programs for the year ended December 31, 1999. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in item 1999-60233-003 in the accompanying schedule of findings, Hardin County did not comply with requirements regarding reporting that are applicable to its Chronic Offender Reorientation Education (CORE) Program. Compliance with such requirements is necessary, in our opinion, for Hardin County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Hardin County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 1999. We noted an instance of noncompliance that does not require inclusion in this report that we have reported to management of the County in a separate letter dated June 16, 2000.

Internal Control Over Compliance

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

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 1999-60233-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described above is a material weakness.

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



Jim Petro
Auditor of State

June 16, 2000

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Chronic Offender Reorientations Education (CORE) Program CFDA # 16.579 Community Alternative Funding (CAFS) Program - CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

HARDIN COUNTY

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

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

Finding Number	1999-60233-001
-----------------------	----------------

Reconciliation of SETS Accounts

During 1999, the County Child Support Enforcement Agency (CSEA) fully implemented the Support Enforcement Tracking System (SETS). SETS is a federally mandated system established to record and issue child support payments for each county. Since implementation, CSEA has experienced difficulties in reconciling SETS to its bank accounts and has encountered various errors in relation to disbursements made by SETS. The State of Ohio is responsible for SETS and has guaranteed funds to correct all errors with the system.

The County CSEA receives payments for child support and enters the data into SETS. CSEA has various monitoring controls in place to ensure that accurate data are input into SETS. At the time of payment, it becomes the responsibility of the State to ensure that accurate payments are made to the guardian of the child or children. However, many errors have come to the attention of CSEA that have been attributed to SETS and not CSEA. As of December 31, 1999 there is approximately a \$66,000 difference between the bank and book balances. The last attempt to reconcile was July 1999.

We recommend CSEA and the State continue to coordinate their efforts to eliminate the cause of errors and correct the limitations imposed on the reconciliation process.

Finding Number	1999-60233-002
-----------------------	----------------

Medicare and CAFS Internal Control

The County Home and the MR/DD Board of Hardin County do not have procedures in place for reviewing the completeness and accuracy of information submitted to third party billing agencies for Medicare and Community Alternative Funding Program (CAFS) service reimbursements. These departments do not review information billed to make sure that services provided have been included in the reimbursement requests or that the information in the reimbursement requests is correct. In addition to the above, the third party administrators do not receive SAS 70 audit reports.

Without procedures in place for reviewing billed information and remittance advices, amounts received as reimbursements from Medicare and CAFS programs may be incorrect or services provided may not be properly submitted for reimbursement. Without the SAS 70 audit reports the County has no assurance that the third party administrators have controls over processing transactions.

Information used for reimbursement of Medicare and CAFS services provided by the County Home and Mental Retardation and Developmental Disabilities (MR/DD) Board should be reviewed for completeness and accuracy before being submitted to a third party billing agency. Also, remittance advices received with reimbursements should be reviewed to make sure all services submitted were correctly billed. The County Home and MR/DD Board should consider negotiating a clause in their service contracts with the third party administrators requiring SAS 70 audit reports.

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

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	1999-60233-003
CFDA Title and Number	Chronic Offender Reorientation Education (CORE) #16.579
Federal Award Number / Year	98-DG-F02-7001
Federal Agency	U.S. Department of Justice
Pass-Through Agency	Office of Criminal Justice Services

Juvenile Court Federal CORE Grant Quarterly Reports

Reporting

The Office of Criminal Justice Services, June 1997 *Standard Federal Subgrant Conditions* for reporting, prohibits subrecipients from commingling funds on either a program-by-program basis or a project-by-project basis. In addition, quarterly financial reports, which show actual expenditures must be submitted to the Office of Criminal Justice Services.

Financial activity of more than one grant period was commingled in one fund. Also records were not maintained in a manner to clearly show the source, amount, and timing of all receipts. The quarterly financial report forms did not accurately reflect current quarter expenditures. The first quarter report understated expenditures by 10% and the second and fourth quarter reports overstated expenditures by 79% and 9%, respectively. In addition, the fourth quarter report overstated year-to-date expenditures by 13%.

Failure to properly identify grant receipts and expenditures in accordance with the grant requirements could result in a loss of the grant revenue or the grantor agency requesting repayment of the grant funds awarded due to failure to properly follow grant requirements.

Receipts and expenditures should be separated by grant year in the accounting system to better insure accuracy of reporting. Quarterly financial reports should reflect the current quarter expenditures as shown on the County monthly appropriation ledgers.

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

3. FINDINGS FOR FEDERAL AWARDS (Continued)

Finding Number	1999-60233-004
CFDA Title and Number	Community Alternative Funding Program (CAFS) #93.778
Federal Award Number / Year	N/A
Federal Agency	U. S. Department of Health and Human Services
Pass-Through Agency	Ohio Department of MR/DD

CAFS Internal Control

The Mental Retardation and Developmental Disabilities (MR/DD) Board of Hardin County does not have procedures in place for reviewing the completeness and accuracy of information submitted to third party billing agency for Community Alternative Funding Program (CAFS) service reimbursements. This department does not review information billed to make sure that services provided have been included in the reimbursement requests or that the information in the reimbursement requests is correct. In addition to the above, the third party administrator does not receive a SAS 70 audit report.

Without procedures in place for reviewing billed information and remittance advices, amounts received as reimbursements from the CAFS program may be incorrect or services provided may not be properly submitted for reimbursement. Without the SAS 70 audit report the County has no assurance that the third party administration has controls over processing transactions.

Information used for reimbursement of CAFS services provided by the MR/DD Board should be reviewed for completeness and accuracy before being submitted to a third party billing agency. Also, remittance advices received with reimbursements should be review to make sure all services submitted were correctly billed. The MR/DD Board should consider negotiating a clause in their service contract with the third party administrator requiring a SAS 70 audit report.



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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
JULY 13, 2000**