FINANCIAL CONDITION
HARDIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2003

Auditor of State
Betty Montgomery

FINANCIAL CONDITION
HARDIN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

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

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

Health insurance claims reported in the County's Internal Service Fund are processed by a service organization that is independent of the City. This service organization did not provide with evidence regarding the design or proper operation of its internal control system. As a result, we were unable to perform procedures to satisfy ourselves as to the processing of health insurance claims reported as Contract Services in the amount of $1,489,717, reported in the Internal Service Fund on the Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances – All Proprietary and Similar Fiduciary Funds.

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

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In our opinion, except for the effects of such adjustment, if any, as might have been determined to be necessary had we been able to satisfy ourselves regarding contract services, the financial statements referred to above present fairly, in all material respects, the cash, investments, and combined fund cash balances of the County, as of December 31, 2003, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2004 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of federal awards expenditures is presented for 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 financial statements. We subjected this information to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

June 24, 2004

HARDIN COUNTY

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

	Governmental Fund Types				Fiduciary Funds	
	General	**Special Revenue**	**Debt Service**	**Capital Projects**	**Expendable Trust Funds**	**Totals (Memorandum Only)**
Receipts:						
Taxes	$2,989,962	$1,304,563				$4,294,525
Charges for Services	895,363	1,299,564				2,194,927
Licenses and Permits	3,082	83,343				86,425
Fines & Forfeitures	22,384	81,466				103,850
Intergovernmental Receipts	1,032,039	8,557,560				9,589,599
Special Assessments		816,243	50,536	436,352		1,303,131
Interest on Investments	346,219	10,850	741		3,415	361,225
Rent	3,753	5,400	142,130			151,283
Gifts and Donations		2,163		8,261	91,437	101,861
All Other Revenue	103,205	956,886	2,360			1,062,451
Total Receipts	5,396,007	13,118,038	195,767	444,613	94,852	19,249,277
Disbursements:						
General Government						
Legislative and Executive	2,464,748	389,622				2,854,370
Judicial	1,103,616	398,557				1,502,173
Public Safety	1,765,201	472,477				2,237,678
Public Works	20,066	5,176,253		1,217		5,197,536
Health		111,571				111,571
Human Services	154,667	6,734,985			70,424	6,960,076
Economic Development		676,222				676,222
Capital Outlay				126,947	7,500	134,447
Debt Service:						
Bond Principal Payment			199,820			199,820
Loan Principal Payment			21,391			21,391
Interest & Fiscal Charges		6,470	57,177			63,647
Total Disbursements	5,508,298	13,966,157	278,388	128,164	77,924	19,958,931
Total Receipts Over (Under) Disbursements	(112,291)	(848,119)	(82,621)	316,449	16,928	(709,654)
Other Financing Sources (Uses)						
Proceeds of Bonds				260,000		260,000
Proceeds of Notes		650,000				650,000
Operating Transfers-In	1,123	95,313	71,093	1,741		169,270
Operating Transfers-Out	(142,913)	(135,534)			(823)	(279,270)
Advances-In	290,287	521,068	329			811,684
Advances-Out	(40,000)	(696,355)		(1,741)		(738,096)
Other Financing Sources	972	18,530			3,704	23,206
Other Financing Uses	(219,345)	(17,862)			(700)	(237,907)
Total Other Financing Sources (Uses)	(109,876)	435,160	71,422	260,000	2,181	658,887
Total of Receipts & Other Sources Over (Under) Disbursements & Other Uses	(222,167)	(412,959)	(11,199)	576,449	19,109	(50,767)
Fund Cash Balances, January 1	1,246,751	6,112,101	32,548	230,747	472,751	8,094,898
Fund Cash Balances, December 31	$1,024,584	$5,699,142	$21,349	$807,196	$491,860	$8,044,131
Reserve for Encumbrances, December 31	$52,992	$1,076,501	$0	$839,166	$11,000	$1,979,659

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

FINANCIAL CONDITION
HARDIN COUNTY

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

	Proprietary Fund Types		Fiduciary Fund Types		Total
	Enterprise	Internal Service	Non-Expendable Trust	Agency	(Memorandum Only)
Receipts:					
Charges for Services	$3,630,443	$1,699,653			$5,330,096
Interest			10,057		10,057
Other Operating Revenues	41,619	121,228			162,847
Total Receipts	3,672,062	1,820,881	10,057		5,503,000
Disbursements:					
Personal Services	2,604,078				2,604,078
Contract Services	224,257	1,489,717	6,454		1,720,428
Supplies and Materials	875,832		1,291		877,123
Capital Outlay	9,894				9,894
Total Disbursements	3,714,061	1,489,717	7,745		5,211,523
Total Receipts Over (Under) Disbursements	(41,999)	331,164	2,312		291,477
Non-Operating Receipts (Disbursements)					
Interest				1,959	1,959
Interest Expense & Fiscal Charges	(2,250)				(2,250)
Other Non-Operating Revenue				35,704,375	35,704,375
Other Non-Operating Expense				(35,968,206)	(35,968,206)
Total Non-Operating Receipts (Disbursements)	(2,250)			(261,872)	(264,122)
Income Before Operating Transfers	(44,249)	331,164	2,312	(261,872)	27,355
Operating Transfers-In	110,000			88,193	198,193
Operating Transfers-Out				(88,193)	(88,193)
Advances-In				70,809	70,809
Advances-Out	(75,000)			(69,397)	(144,397)
Net Income	(9,249)	331,164	2,312	(260,460)	63,767
Fund Cash Balances, January 1	609,667	131,329	254,515	2,443,396	3,438,907
Fund Cash Balances, December 31	$600,418	$462,493	$256,827	$2,182,936	$3,502,674
Reserve for Encumbrances, December 31	$65,736	$0	$200	$6,980	$72,916

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

FINANCIAL CONDITION
HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	$5,005,500	$5,688,389	$682,889
Special Revenue Funds	16,100,509	14,402,949	(1,697,560)
Debt Service Funds	298,595	267,189	(31,406)
Capital Project Funds	1,644,150	706,354	(937,796)
Proprietary:			
Enterprise Funds	3,939,875	3,782,062	(157,813)
Internal Service Funds	2,000,000	1,820,881	(179,119)
Fiduciary:			
Expendable Trust Funds	46,500	98,556	52,056
Non-Expendable Trust Funds	11,000	10,057	(943)
Total (Memorandum Only)	$29,046,129	$26,776,437	($2,269,692)

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

FINANCIAL CONDITION
HARDIN COUNTY

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

Fund Types/Fund	Prior Year Carryover Appropriations	2003 Appropriations	Total
Governmental:			
General Fund	$120,765	$6,134,678	$6,255,443
Special Revenue Funds	961,720	17,268,116	18,229,836
Debt Service Funds		316,717	316,717
Capital Project Funds	200	1,384,492	1,384,692
Proprietary:			
Enterprise Funds	79,401	3,943,260	4,022,661
Internal Service Funds		2,000,000	2,000,000
Fiduciary:			
Expendable Trust Funds	19,500	163,328	182,828
Non-Expendable Trust Funds		34,000	34,000
Total (Memorandum Only)	$1,181,586	$31,244,591	$32,426,177

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

Actual 2003 Disbursements	Encumbrances Outstanding At 12-31-03	Total	Variance Favorable/ (Unfavorable)
$5,910,556	$52,992	$5,963,548	$291,895
14,815,908	1,076,501	15,892,409	2,337,427
278,388		278,388	38,329
129,905	839,166	969,071	415,621
3,791,311	65,736	3,857,047	165,614
1,489,717		1,489,717	510,283
79,447	11,000	90,447	92,381
7,745	200	7,945	26,055
$26,502,977	$2,045,595	$28,548,572	$3,877,605

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. DESCRIPTION OF THE REPORTING ENTITY

Hardin County (The "County") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three member elected board of county commissioners. A county auditor and county treasurer are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include public protection (sheriff and courts), human services, repair, maintenance and construction of roads, ditches and bridges, disposal transfer services and 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 combined financial statements include all funds, agencies, boards, and commissions for which Hardin County and the County Commissioners are "accountable". Component units of Hardin County are not reflected on the financial statements or related note disclosures as the County is reporting on the cash basis.

Below are the potential component units whose financial activities are excluded from the reporting entity:

A. Component Units

HARCO Industries, Inc.

HARCO Industries, Inc. (the "Workshop") is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The Workshop, under a contractual agreement with the Hardin County Board of 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 a component unit of the County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for HARCO Industries, Inc. may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

Hardin County Housing Development, Inc.

Hardin County Housing Development, Inc. (HCHD) is a legally separate, nonprofit corporation, served by a self-appointing board of trustees. The HCHD, under a contractual agreement with the Hardin County Board of 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 a component unit of the County.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. 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 a component unit of Hardin County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for the Airport Authority may be obtained from the administrative offices located 13975 Township Road 135 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. 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.

Workforce Investment Act

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

The federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Hardin County participated in a multi-county WDA with Auglaize and Mercer Counties, with Mercer County as fiscal agent.

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.

Logan County Juvenile Detention Center

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

The JDC is governed by a five member board consisting of the Juvenile Judge and a County Commissioner from each participating county (Logan and Hardin). The Logan County Juvenile Judge shall be responsible for selecting the fifth member annually.

Financial information can be obtained from the Logan County Auditor, Mike Yoder, Jail Office Complex, 100 South Madriver Street, Room 103, Bellefontaine, Ohio 43311

C. Joint Ventures:

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

During 2003, tax revenues generated by the levy in Hardin County totaled $143,533 which represents one and six tenths percent of total revenues. Complete financial statements can be obtained from the Allen County Auditor, Ben Diepenbrock, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

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, 2003. 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, Joe Campbell, 222 West Center Street, Marion, Ohio, 43302.

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

Each member has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the CORSA are managed by an elected board of not more than nine trustees. Only county commissioners of member counties are eligible to serve on the board. No county may have more than one representative on the board at any time. Each member county's control over the budgeting and financing of CORSA is limited to its voting authority and any representation it may have on the Board of Trustees.

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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

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

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

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.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

F. Potential Component Units

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

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

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, Council on Aging, and the Hardin County Veterans Memorial Park District are also not a part of the County reporting entity although they are presented as agency funds within the County's financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis Of Accounting

Although required by Ohio Administrative Code Section 117-2-3 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This basis is similar to cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Fund Accounting

The County maintains its accounting records in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. Governmental 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.

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).

2. 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.

3. 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. Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expendable trust funds are accounted for in essentially the same manner as governmental funds and non-expendable trust funds in essentially the same manner as proprietary funds.

C. Budgetary Data

Outlined below are the procedures followed by the County to establish the annual operating budget and budgetary data reported:

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.

2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.

3. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.

4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.

5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2003 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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the cash basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting.

E. Cash And Investments

To improve cash management, some cash received by the County is pooled. Monies for most funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records.

During the year 2003, investments were limited to STAR Ohio, certificates of deposit, and federal agency discount notes. Investments are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2003. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price at which the investment could be sold at December 31, 2003.

With the exception of the investments in the investment pool for Pike Repair Special Revenue Fund and the following separate investments for Revolving Loan Special Revenue Fund, the Ada Howard and Louella Nuebert Expendable Trust Funds, the Helen Howard, Clark Bailey and the Chase Stewart Nonexpendable Trust Funds, all interest on investments held by the Treasurer is credited to the County General Fund. The following funds and interest amounts were recorded in 2003: General Fund - $346,219, Special Revenue Funds - Pike Repair $9,381, Revolving Loan $1,396, WIA $73, Debt Service Fund – Annex Lease $741, Expendable Trust Funds - Ada Howard $2,035 and Louella Nuebert $1,380, and Non-Expendable Trust Funds - Helen Howard $1,064, Clark Bailey $3,935, and the Chase Stewart $5,058.

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. Intergovernmental Revenues

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County's Department of Job and Family Services (JFS) which distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's JFS distributed approximately $1,498,881 of federal food stamps during 2003.

H. Long-Term Obligations

Long-term obligations for general obligation bonds that are expected to be paid from the governmental funds are shown in the notes to the financial statements.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest.

I. 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 to be expended are recorded 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.

J. 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.

3. DEPOSITS AND INVESTMENTS

The County maintains both specific investments and a cash and investment pool used by all other funds. Each fund type's portion of these specific investments and the cash and investment pool is displayed on the combined financial statements as "Fund Cash Balance."

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;

3. DEPOSITS AND INVESTMENTS (Continued)

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 two 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;

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 a letter of credit, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

3. DEPOSITS AND INVESTMENTS (Continued)

Cash on Hand - At year end, the County had $2,500 in un-deposited cash on hand which is included in the "Fund Cash Balance".

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 $11,777,884 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was $10,574,861. Of the bank balance, $567,249 was covered by federal depository insurance; and the balance was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

The pledging banks have investment and securities pools used to collateralize all public deposits. These pools have a market value at December 31, 2003, in excess of 105 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.

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. The County's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

As of December 31, 2003, the County's investments were as follows:

Description	Category 2	Carrying Value	Fair Value
Federal Agency Securities	$500,000	$500,000	$501,095
STAR Ohio (Not Categorized)		469,444	469,444
Total		969,444	970,539

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed in 2002 for tax year 2003.

4. PROPERTY TAXES (Continued)

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2003, was $7.15 per $1,000 of assessed valuation for real property classified as residential/agricultural and $7.15 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 $5.83 per $1,000 of assessed valuation for real property classified as residential/agricultural and $6.61 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.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2003, was 23% of true value.

The assessed value upon which the 2003 taxes were collected was $424,635,931.

Real Property - 2002 Valuation:	
Residential	$206,753,680
Agriculture	84,075,150
Commercial	34,192,760
Industrial	16,784,520
Public Utilities	563,060
Tangible Personal Property – 2003 Valuation:	
General	57,391,921
Public Utilities	24,874,840
Total Valuation	$424,635,931

Real property taxes for tax year 2002 are payable annually or semi-annually. If paid annually, payment is due February 12, 2003. If paid semi-annually, the first payment is due February 12, 2003 with the remainder payable by July 20, 2003. 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.

"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.

4. PROPERTY TAXES (Continued)

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.

5. 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.

6. SHORT TERM DEBT

On September 29, 2003, the County issued a $650,000 Landfill Slurry Wall (Special Assessment) Bond Anticipation Note due September 28, 2004 at four percent interest. This debt was issued to construct the landfill slurry wall.

Description	Issue Date	Issue Rate %	Original Amount	Outstanding Amount	Maturity Date
Slurry Wall Bond Anticipation Note	Sept 2003	4.00	$650,000	$650,000	Sept 2004

7. LONG TERM DEBT

The County's long-term debt at year end consisted of general obligation bonds, special assessment bonds, and Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) Loans which are shown below. At the present time there is no long-term debt in the enterprise funds.

A. The County's long term debt transactions for the year ended December 31, 2003, are summarized below:

	Debt Principal Outstanding 1-Jan-03	Debt Principal Issued in 2003	Debt Principal Retired in 2003	Debt Principal Outstanding 31-Dec-03
General Obligation Bonds	$1,454,998		$150,000	$1,304,998
Special Assessment Bonds with Government Commitment	140,220	260,000	49,820	350,400
OWDA Landfill Closure	598,884		12,094	586,790
OPWC Loans	51,427	19,498	9,297	61,628
Total	$2,245,529	$279,498	$221,211	$2,303,816

7. LONG TERM DEBT (Continued)

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

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

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

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

A road and bridge project which was financed in the amount of $19,498 with an OPWC loan to the County was started in 2002 and completed in 2003. The loan is scheduled for repayment over a five year period beginning January 2004.

The following are descriptions of the bonds and loans that existed in 2003 and were outstanding as of December 31, 2003:

Description	Issue Date	Issue Rate %	Original Amount	2003 Paid Amount	Outstanding Amount	Maturity Date
County Courthouse Annex General Obligation Bonds	Oct 2002	various	$1,454,998	$150,000	$1,304,998	Dec 2012
Special Assessment Bonds:						
Kasler Ditch	2002	5.00%	$64,000	$14,000	$50,000	2007
Robinson Ditch	2002	5.00%	5,500	1,200	4,300	2007
Dawson Ditch	2001	4.45%	5,300	1,000	3,000	2006
Beaver Pond Ditch	2001	4.86%	11,000	2,000	6,000	2006
Frisch Ditch	2001	4.45%	7,600	1,500	4,500	2006
Conner Jt Ditch	1998	5.14%	10,200	2,300	------	2003
Stutzman Ditch	1998	5.12%	5,000	1,120	------	2003
Noe Ditch	1998	5.14%	1,400	300	-----	2003
Pattison Ave. Ditch	2003	3.94%	260,000	----	260,000	2011
Trent Ditch	1998	4.97%	2,000	400	------	2003
Lautenschlager Ditch	1998	4.97%	17,000	3,400	------	2003
Lease Ditch	1999	5.00%	68,000	13,600	13,600	2004
Bloom Ditch	2000	5.60%	48,000	9,000	9,000	2004

7. LONG TERM DEBT (Continued)

Description	Issue Date	Issue Rate %	Original Amount	2003 Paid Amount	Outstanding Amount	Maturity Date
Total Special Assessment				$49,820	$350,400	
Total Bond Debt				$199,820	$1,655,398	
OWDA Loan	July 97	4.56%	$891,616	$12,094	$586,790	Jan 2014
OPWC Loan	Jan 04	0.00%	$19,498	1,950	17,548	2008
OPWC Loan	July 99	0.00%	$73,468	$7,347	$44,080	2010
Total Loans				$21,391	$648,418	
Total Bonds and Loans				$221,211	$2,303,816	

B. The annual requirements to amortize all bonded debt and loans outstanding as of December 31, 2003, including interest payments of $528,415 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds with Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loans	Total
2004	183,622	93,071	68,431	11,246	356,370
2005	180,910	63,808	68,431	11,246	324,395
2006	182,965	60,455	68,431	11,246	323,097
2007	184,445	50,757	68,431	11,246	314,879
2008	180,320	35,886	68,431	9,297	293,934
2009-2013	701,300	100,328	342,150	7,347	1,151,125
2014-2018	-	-	68,431	-	68,431
Total	1,613,562	404,305	752,736	61,628	2,832,231
Less Interest	(308,564)	(53,905)	(165,946)	(-)	(528,415)
Principal	$1,304,998*	$350,400	$586,790	$61,628	$2,303,816

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, 2003 are an overall debt margin of $9,115,898 and an unvoted debt margin of $6,533,831.

8. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

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

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

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5 percent of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1 percent of their annual covered salary; members in public safety contributed 9 percent. The County's contribution rate for pension benefits for 2003 was 8.55 percent, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations, including post employment benefits, to these plans for the years ended December 31, 2003, 2002, and 2001 were $1,302,182, $1,239,255, and $1,701,547 respectively; 94.2 percent has been contributed for 2003 and 100 percent for 2002 and 2001

B. 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.

8. PENSION OBLIGATIONS (Continued)

Effective July 1, 2003, plan members required rate to contribute increased to 10% from 9.3% of their annual covered salary and the County is required to contribute 14%; 9.5% 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, including post employment benefits, to STRS for the years ended December 31, 2003, 2002 and 2001, $43,772, $43,633 and $42,229, respectively; 96.3% has been contributed for 2003 and 100% for the years 2002 and 2001. $1,604 represents the unpaid contribution for 2003.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Ohio Public Employees Retirement System (OPERS):

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in *GASB Statement No. 12*. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.31 percent of covered payroll (16.7 percent for public safety and law enforcement); 5.00 percent of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPERS's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00 percent, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50 percent and 6.3 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.00 percent annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were $472,594. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002, (the latest information available) were $10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were $18.7 billion and $8.7 billion, respectively.

9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

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

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

B. State Teachers Retirement System (STRS):

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

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2003, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $14,204 for the fiscal year ended June 30, 2003.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $2.8 billion at June 30, 2003 (the latest information available). For the fiscal year ended June 30, 2003, net health care costs paid by STRS were $352,301,000 and STRS had 108,294 eligible benefit recipients.

10. REVOLVING LOANS

Hardin County makes special efforts to attract out-of area companies to the County to increase the number of firms and employees working in the County. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. The following revolving loans are secured by mortgages on the property. Loans marked with an asterisk have defaulted on the loan agreement. Payments made during 2003 and balances outstanding at December 31, 2003 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2003	Principal Outstanding Dec-31- 2003
Innoplas, Inc.	4.75%	2013	9,887	240,113
Buckeye Machine & Fab	5%	2004	11,240	3,155
*Choice Auto, LLC	5%	2012		28,232
*Choice Auto, LLC	5%	2024		14,861
Data Bits	5%	2003	9,868	

10. REVOLVING LOANS (Continued)

Business:	Rate	Maturity Year	Principal Paid 2003	Principal Outstanding Dec-31- 2003
*Harman Tech Coatings	5%	2004		74,897
Innoplas, Inc.	5%	2007	9,899	55,738
Innoplas, Inc.	4%	2003	10,845	
Laugh and Learn Day Care	5%	2024	3,276	92,661
Mt. Victory Meats	5%	2006	2,644	6,677
Mt. Victory Meats	5%	2004	2,579	1,869
*Sheldon's Auto Service	5%	2012	----	23,540
Total Loans Paid and Outstanding			$60,238	$541,743

11. 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	$3,000,000
Law Enforcement Professional Liability	3,000,000
Public Officials Liability	3,000,000
Stop Gap Liability	1,000,000
Automobile Liability	3,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	47,300,012
Contractor's Equipment	2,097,941
Sewer Lines	500,000
Other Coverages:	
Extra Expense	25,000
EDP Media	50,000
Valuable Papers	1,000,000
Flood	100,000,000
Earthquake	100,000,000
Faithful Performance Bond	1,000,000
Money and Securities	1,000,000
Motor Truck Cargo	100,000

The County continues to carry commercial insurance for all other risks of loss, including workers' compensation, dental, and prescription. Settled claims resulting from these risks have not exceeded CORSA's and commercial insurance coverage in any of the past three fiscal years.

11. RISK MANAGEMENT (Continued)

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. Employees of the Mental Retardation and Developmental Disabilities (MRDD) Board are covered by the County Boards Association (CBA) Benefit Services.

12. SIGNIFICANT CONTRACTS AND OTHER OUTSTANDING OBLIGATIONS

During 2002, the County contracted with Remedial Construction Services for $524,668 for the construction of a slurry wall around the Hardin County Landfill. This contract was substantially completed and paid as of December 31, 2003.

During 2001, it was determined that the Hardin County Department of Job and Family Services (Public Assistance and Children's Services Funds) had been overpaid by the Ohio Department of Job and Family Services (ODJFS) in the amount of $271,251, of which $50,000 was repaid in 2001. The outstanding balance will be repaid through the year ended 2006 as approved by the ODJFS. During 2002, the County repaid $80,000 with an ending balance due of $141,251. During 2003, the County repaid $70,000.

During 2002, it was determined that the Hardin County Department of Job and Family Services (Child Support Enforcement Agency Funds) had been overpaid by the Ohio Department of Job and Family Services (ODJFS) in the amount of $65,654. The outstanding balance will be repaid $1,500 per month beginning January 2003 as approved by the ODJFS. During 2003 $24,355 was repaid.

13. CONTINGENT LIABILITIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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, 2003.

B. Litigation

The County is involved in litigation as a defendant. The litigation is in the fact finding stages and the potential outcome cannot be determined at this time.

13. CONTINGENT LIABILITIES (Continued)

C. Landfill

Each year the County engages a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study is subject to review by the Ohio Environmental Protection Agency. This year's study estimates that $2,362,564 will be incurred over the remaining 21.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a letter of credit for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

FINANCIAL CONDITION
HARDIN COUNTY

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

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through Ohio Department of Education)				
Nutrition Cluster:				
National School Lunch Program	10.555	LL-P4-03	$1,004	
Food Donation	10.550			1,522
Total U.S. Department of Agriculture			1,004	1,522
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grants/State's Program	14.228		474,863	
Home Improvement Partnership Program	14.239		121,213	
Total United States Department of Housing and Urban Development			596,076	
U.S. DEPARTMENT OF JUSTICE				
(Passed through Ohio Office of Criminal Justice Services)				
Byrne Formula Grant Program	16.579	02-DG-C01-7147	53,994	
(Passed through Ohio Department of Youth Services)				
Juvenile Justice and Delinguency Prevention - Allocation to States	16.540	02-JJ-DP2-0080	28,090	
		01-JJ-DI1-0080	26,797	
Total Juvenile Justice and Delinguency Prevention - Allocation to States			54,887	
Total United States Department of Justice			108,881	
U.S. DEPARTMENT OF LABOR				
(Passed through Mercer County)				
WIA Adult Program	17.258		46,705	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Preschool Grants	84.173	PG-S1-04	1,330	
		PG-S1-03P	10,699	
Total Special Education Preschool Grants			12,029	
Special Education Grants to States	84.027	6B-SF 04	4,393	
		6B-SF-03P	25,553	
Total Special Education Grants to States			29,946	
Total Special Education Cluster			41,975	
Total United States Department of Education			41,975	
U.S. DEPARTMENT OF HUMAN SERVICES				
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)				
Social Services Block Grant	93.667		25,441	
Medical Assistance Programs	93.778		254,474	
(Passed through Ohio Department of Job and Family Services)				
Promoting Safe and Stable Families	93.556		5,032	
Total U.S. Department of Human Services			284,947	
U.S. DEPARTMENT OF HOMELAND SECURITY				
(Passed through Ohio Emergency Management Agency)				
State Domestic Preparedness Equipment Support Program	97.004	2003-TE-TX-0199	48,015	
		2002-TE-CX-0106	63,828	
		2001-TE-CX-0016	991	
Total State Domestic Preparedness Equipment Support Program			112,834	
Emergency Management Performance Grants	97.042	EMC-2003-GR-7006	23,227	
State and Local All Hazards Emergency Operations Planning	97.051		23,365	
Citizen Corps	97.053	CERT	2,500	
Total U.S. Department of Homeland Security			161,926	
TOTAL FEDERAL FINANCIAL ASSISTANCE			$1,241,514	$1,522

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

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

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures summarizes the activity of all federal award programs of the County. The County reporting entity is defined in Note 1 of the County's general-purpose financial statements. All federal awards received directly from federal agencies as well as federal financial assistance passed through other governmental agencies are included in the schedule.

The accompanying Schedule 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, 2002.

Small Business Revolving Loans	**Loan Activity and Balances**	**Cash Activity and Balances**
Beginning Balance	$351,984	$125,735
Loan Principal Repayments /Cash Receipts	(60,238)	75,418
Loan and Grant Disbursements/ Disbursements	250,000	(50,172)
Ending Balances	$541,746	$125,981

NOTE 3 - 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 Donation Program.

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003
(Continued)

NOTE 4 - OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

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

Program	**CFDA Number**
Food Stamps	10.551
Social Services Block Grant	93.667
Child Support Enforcement	93.563
Foster Care	93.658
Adoption Assistance	93.659
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.

NOTE 5 - U.S. Department of Homeland Security Federal Awards

The Federal Homeland Security Act of 2002 established the Department of Homeland Security (the Department) to consolidate functions of other Federal agencies related to homeland security. Effective January 24, 2003, the Department began to administer certain Federal awards the County previously received from other Federal agencies. The accompanying Federal Awards Expenditure Schedule reports all such 2003 award amounts under the Department's Catalog of Federal Domestic Assistance (CFDA) numbers. The purposes and compliance requirement of these programs has not changed. A comparison of the Federal agencies' and CFDA numbers the County reported in its 2002 Federal Award Expenditure Schedule compared with the Department's CFDA numbers reported in the 2003 Schedule follows:

Previous Federal Agency	**CFDA No. used In 2002**	**Homeland Security CFDA No. used for 2003**
Department of Justice	16.007	97.004
Emergency Management Agency	83.552	97.042

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Auditor of State
Betty Montgomery

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

Hardin County
One Courthouse Square, Suite 250
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, 2003, and have issued our report thereon dated June 24, 2004, wherein we noted that we were not able to perform procedures to satisfy ourselves as to the processing of health insurance claims reported as Contract Services in the Internal Service Fund , and we noted that the County has prepared its financial statements on the basis of accounting previously prescribed by the Auditor of State which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. Except as discussed above, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as items 2003-001 through and 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 24, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect 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 of findings and questioned costs as items 2003-004 and 2003-005.

**Internal Control Over Financial Reporting
(Continued)**

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 the reportable condition described above as finding 2003-004 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 24, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 24, 2004

Auditor of State
Betty Montgomery

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

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

To the Board of County Commissioners:

Compliance

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

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

As described in items 2003-006 and 2003-007 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding cash management that are applicable to the County's Community Development Block Grant. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the 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, 2003.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 24, 2004.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 24, 2004

HARDIN COUNTY

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

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Qualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Community Development Block Grant/State Program: CFDA #14.228 Medical Assistance Program: CFDA # 93.778 State Domestic Preparedness Equipment Support Program: CFDA #97.004 (formerly CFDA #16.007)
	Programs Not Audited As a Major, however, findings & questioned costs were noted:	None
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	No

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

FINDING NUMBER 2003-001

Noncompliance

Ohio Rev. Code Section 9.38 states that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection.

If the amount of daily receipts does not exceed $1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than 3 business days after receiving it. If the public office is governed by a legislative authority (counties, municipalities, townships, and school districts), only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds $1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. The County has passed a new policy that all amounts are to be deposited daily for all departments without exception.

The Engineer’s office generally pays into the County at the end of each week and during 2003 exceeded the $1,000 in the following incidents:

Amount	Engineer Receipt Date	Date Paid Into County
$145,139.87	1/6/03	1/10/03
56,917.05	10/10/03	10/17/03
7,219.20	10/14/03	10/17/03
26,299.97	11/3 thru 11/7/03	12/2/03

The Engineer’s Office should implement procedures to help assure compliance with this requirement.

FINDING NUMBER 2003-002

Noncompliance

Ohio Rev. Code Section 5705.41 (D) states that no order or contract involving the expenditure of money is to be made unless there is a certificate of the fiscal officer that the amount required for the order or contract has been lawfully appropriated and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances.

The following exceptions to this basic requirement are provided by statute:

> <u>Then and Now Certificate</u>: This exception provides that, if the fiscal officer can certify that both at the time that the contract or order was made and at the time that he is completing his certification, sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant. The taxing authority has 30 days from the receipt of such certificate to approve payment by resolution or ordinance. If approval is not made within 30 days, there is no legal liability on the part of the subdivision or taxing district.

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

FINDING NUMBER 2003-002 (Continued)

> Amounts less than $100 for counties may be paid by the fiscal officer without such certificate of the taxing authority upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.

Eleven percent (4 out of 36) of the transactions tested were not certified by the Fiscal Officer prior to making orders for the expenditure of County funds. In addition, neither of the two exceptions above was utilized for these transactions. The County does not utilize purchase orders for the Revolving Loan Funds or the Economic Development or Formula grant expenditures from the Community Development Block Grant Fund. Procedures should be implemented not only to help assure compliance with this requirement, but to help prevent the unauthorized obligation of County funds.

FINDING NUMBER 2003-003

Noncompliance

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

Ohio Admin. Code Section 117-2-03 (B) requires the County to prepare its annual financial report in accordance with generally accepted accounting principles (GAAP). However, the School District prepares its financial statements in accordance with standards established by the Auditor of State for governmental entities not required to prepare annual reports in accordance with generally accepted accounting principles. The accompanying financial statements omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code Section 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the School District should prepare their financial statements according to generally accepted accounting principles.

FINDING NUMBER 2003-004

Reportable Condition/Material Weakness

Obtaining a SAS 70 Audit Report

When an entity uses a service organization to process financially significant accounting transactions the organization should provide a Tier II SAS 70 audit report. This report gives the user entity insight to the controls and their operating effectiveness at the service organization. The failure to obtain this type of report prevents the user entity from knowing if significant deficiencies in the control system exist at the third party administrator. The County did not obtain a SAS 70 audit report from their party administrator who processes employee health insurance claims.

FINDING NUMBER 2003-004

The County should revise their third-party administrator contract to include a requirement for an annual Tier II SAS 70 audit. The County should be provided with a copy of the SAS 70 report and then review the report's content. The County should take steps to address any user control considerations identified in the report.

FINDING NUMBER 2003-005

Reportable Condition

Recording of Financial Activity Between Funds

To help assure the accuracy of financial reporting, an entity should review transactions between funds to determine the correct classification of the financial activity. The County's Public Assistance Fund and the Children's Services Fund each provided services to the other fund. The accounting transaction for these services was recorded as transfers in and out instead of properly reflecting the revenues and expenditures for providing these services. As a result, the financial statements prepared by the County not only presented inaccurate financial information, but also gave the impression there had been $182,055 of illegal transfers between two different Special Revenue Funds. The accompanying financial statements have been adjusted to reclassify the transfer out of Job and Family Services Fund as human services expenditures and the transfer into the Children's Service Fund as charges for services in the amount of $60,825 and the transfer out of the Children's Service Fund as human services expenditures and the transfer into the Job and Family Services Fund as charges for services in the amount of $121,230. The County and/or audit committee should review all financial activity between funds to help assure that it is properly recorded and when applicable in agreement with supporting schedules.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER	**2003-006**
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-01-030-1 B-F-02-030-1 B-E-01-030-1 B-C-02-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), states that grantees must develop a cash management system to ensure compliance with the fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than $5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted. Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the fifteen day rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days. Escrow accounts were not established and the County maintained program balances in excess of $5,000 throughout the year as follows:

FINDING NUMBER	**2003-006 (Continued)**
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-01-030-1 B-F-02-030-1 B-E-01-030-1 B-C-02-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Receipt Date	Amount	Balance Unspent w/i 15 days
6-Feb	$ 82,500	41,901
16-May	12,500	12,500
18-Sep	47,760	21,322
18-Sep	18,514	18,514
17-Nov	50,690	40,413
Total		**134,650**

Based on the above facts, questioned costs in the amount of $134,650, are being issued for money in excess of $5,000 that was not spent within the required fifteen-day period.

The County should implement procedures that will help assure that monies drawn down for the CDBG program are expended within fifteen days of their receipt or an amount is spent that results in the program cash balance to be $5,000 or less.

FINDING NUMBER	**2003-007**
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-01-030-1 B-F-02-030-1 B-E-01-030-1 B-C-02-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(l), states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than $100 per year. The check must be made payable to the U.S. Department of Housing and Urban Development (HUD). In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation to private property.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER	**2003-007 (Continued)**
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-01-030-1 B-F-02-030-1 B-E-01-030-1 B-C-02-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

The County established the Community Development Block Grant (CDBG) Fund T000 to account for CDBG grant monies. The monies from the CDBG Fund are pooled with other funds in an interest-bearing account, however interest was not allocated to the CDBG Fund for 2003. Based on the average daily interest rate and the number of days for each balance amount, interest income in the amount of $522 should have been allocated to the CDBG Fund. This allocation of interest income exceeds the allowable limit of $100 per each program and the excess was not remitted to OHCP or HUD for either program.

Based on the above facts, questioned costs in the amount of $422 for the CDBG Fund, are being issued for interest income not remitted to the U.S. Department of Housing and Urban Development.

The County should implement procedures to help assure that interest is credited to all required funds. In addition, these procedures should identify grants that require excess interest to be remitted back to the grantor agency.

HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2002-001	OAC Sec. 117-2-03 (B) - Requirement to report GAAP financial statements	No	Repeated as finding 2003-003
2002-002	AOS Audit Bulletin 97-003 – Improper advances	Yes	
2002-003	Recording Financial Activity Between Funds	No	Repeated as finding 2003-005
2002-004	Reducing grant fund balances below $5,000 within 15 days of receipt of grant funds	No	Repeated as finding 2003-006
2002-005	Allocating interest to the CDBG funds	No	Repeated as finding 2003-007
2002-006	WIA reporting should be on an accrual basis	N/A	No longer valid since the County is no longer fiscal agent for this grant

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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 27, 2004