



Dave Yost • Auditor of State

**FINANCIAL CONDITION
HARDIN COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Ohio (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units, HARCO Industries, Inc. which represents 28 and 24 percent, respectively, and Hardin County Housing Development, Inc. which represents 1 and 10 percent, respectively, of the assets/net assets and revenues of the component unit column. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for HARCO Industries, Inc and Hardin County Housing Development, Inc., on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. The other auditors audited the financial statements of HARCO Industries in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

Ohio Administrative Code § 117-2-03 (B) requires the County to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. However, as discussed in Note 2, the accompanying financial statements and notes follow the cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Ohio, as of December 31, 2010, and the respective changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

As disclosed in Note 16, the County restated the January 1, 2010 Net Assets of the Governmental Activities and Fund Balances of the Other Governmental Funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2011 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, and the respective budgetary comparisons for the General, Pike Repair, Job and Family Services, and Hardin County Board of Developmental Disabilities (HCBDD) Funds as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements taken as a whole. The Schedule of Federal Awards Expenditures provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The Schedule of Federal Awards Expenditures is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This Schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 26, 2011

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED**

The discussion and analysis of Hardin County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2010, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2010 are as follows:

Overall:

- Total net assets increased \$1,518,199 with Governmental Activities increasing by \$1,892,156 and Business-Type Activities decreasing by \$373,957. The increase in Governmental net assets was partly made by an increase in sales taxes.
- Total cash receipts were \$28,636,827 in 2010.
- Total cash disbursements were \$27,118,628 in 2010.

Governmental Activities:

- Total program cash receipts were \$15,035,949 in 2010, while program cash disbursements were \$22,082,671.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$12,684,430 in 2010.

Business-Type Activities:

- Program cash receipts were \$4,415,915 for Business Activities, while corresponding cash disbursements were \$5,035,957. Hardin Hills decrease in Net Assets of \$408,031 was the main reason for the decrease in Net Assets for business-type activities.

Using this Basic Financial Report

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

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

Reporting the County as a Whole

The County's Reporting Entity Presentation

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2010?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2010 compared to the prior year:

**Table 1
Net Cash Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Assets						
Equity in Pooled Cash & Cash Equivalents	\$9,828,784	\$8,029,214	\$1,420,815	\$1,794,772	\$ 11,249,599	\$ 9,823,986
Cash & Cash Equivalents in Segregated Accounts	29,449	29,168			29,449	29,168
Cash With Fiscal Agent	690,162	545,458			690,162	545,458
Total Assets	10,548,395	8,603,840	1,420,815	1,794,772	11,969,210	10,398,612
Net Cash Assets						
Restricted	8,880,128	7,676,619			8,880,128	7,676,619
Unrestricted	1,668,267	927,221	1,420,815	1,794,772	3,089,082	2,721,993
Total Net Cash Assets	\$10,548,395	\$8,603,840	\$1,420,815	\$1,794,772	\$11,969,210	\$10,398,612

Total net assets increased \$1,518,169 with Governmental Activities increasing by \$1,892,126 and Business-Type Activities decreasing by \$373,957.

Table 2 shows the changes in cash net assets for 2010 and 2009:

**Table 2
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Cash Receipts:						
Charges for Services	\$4,344,904	\$4,842,843	\$4,410,320	\$4,783,228	\$ 8,755,224	\$ 9,626,071
Operating Grants & Contributions	10,012,635	11,036,664	5,595	7,335	10,018,230	11,043,999
Capital Grants & Contributions	678,410	1,005,951			678,410	1,005,951
Total Program Cash Receipts	15,035,949	16,885,458	4,415,915	4,790,563	19,451,864	21,676,021

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

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

	Governmental Activities		Business-Type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General Cash Receipts & Transfers:						
Property Taxes:						
General Purpose	1,134,411	1,108,439			1,134,411	1,108,439
911- Public Safety	275,234	268,675			275,234	268,675
HCBDD - Human Service	1,967,334	1,712,775			1,967,334	1,712,775
Sales Taxes	3,374,901	3,099,270			3,374,901	3,099,270
Special Assessments			48,676	48,442	48,676	48,442
Proceeds of Bonds		711,600				711,600
Grants and Entitlements Not Restricted	1,402,250	1,057,406			1,402,250	1,057,406
Interest Receipts	152,789	241,965			152,789	241,965
Sale of Assets	7,976	30,028	7,930	9,871	15,906	39,899
Miscellaneous	644,464	503,319	139,479	30,463	783,943	533,782
Transfers (Net)	(50,000)	(75,000)	50,000	75,000		
Total General Cash Receipts & Transfers	<u>8,938,848</u>	<u>8,658,477</u>	<u>246,085</u>	<u>163,776</u>	<u>9,184,933</u>	<u>8,822,253</u>
Total Cash Receipts and Transfers	<u>23,974,827</u>	<u>25,543,935</u>	<u>4,662,000</u>	<u>4,954,339</u>	<u>28,636,827</u>	<u>30,498,274</u>
Cash Disbursements:						
Program Cash Disbursements:						
General Government:						
Legislative and Executive	3,227,222	3,200,516			3,227,222	3,200,516
Judicial	1,948,114	2,047,101			1,948,114	2,047,101
Public Safety	2,862,239	4,028,083			2,862,239	4,028,083
Public Works	5,390,044	6,000,706			5,390,044	6,000,706
Health	367,667	377,114			367,667	377,114
Human Services	7,294,386	8,033,302			7,294,386	8,033,302
Conservation and Recreation	58,463	387,487			58,463	387,487
Economic Development	550,342	746,776			550,342	746,776
Debt Service:						
Principal Retirement	335,254	479,524			335,254	479,524
Interest and Fiscal Charges	48,940	36,373			48,940	36,373
Proprietary Funds			5,035,957	4,790,181	5,035,957	4,790,181
Total Cash Disbursements	<u>22,082,671</u>	<u>25,336,982</u>	<u>5,035,957</u>	<u>4,790,181</u>	<u>27,118,628</u>	<u>30,127,163</u>
Increase (Decrease) In Net Cash Assets	1,892,156	206,953	(373,957)	164,158	1,518,199	371,111
Net Cash Assets at Beginning of Year						
- (Restated – Note 16)	8,656,239	8,396,887	1,794,772	1,630,614	10,451,011	10,027,501
Net Cash Assets at End of Year	<u>\$10,548,395</u>	<u>\$8,603,840</u>	<u>\$1,420,815</u>	<u>\$1,794,772</u>	<u>\$11,969,210</u>	<u>\$10,398,612</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and must return to voters to maintain a constant level of service. Property taxes and sales taxes each make up 14 percent of cash receipts for governmental activities for Hardin County in fiscal year 2010. Operating grants and contributions made up 42 percent of cash receipts of governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Eighty-five percent of human services activities are supported through charges for services and operating grants and contributions. General cash receipts provide approximately 68 percent of the support for the total governmental cash disbursements as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Hardin County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

For business-type activities, program cash disbursements exceeded program cash receipts by \$620,042.

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

	Total Cost of Services		Net Cost of Services	
	2010	2009	2010	2009
Cash Disbursements				
Program Cash Disbursements:				
General Government:				
Legislative and Executive	\$ 3,227,222	\$ 3,200,516	(\$2,210,481)	(\$2,227,856)
Judicial	1,948,114	2,047,101	(1,210,163)	(1,347,663)
Public Safety	2,862,239	4,028,083	(2,087,174)	(1,993,432)
Public Works	5,390,044	6,000,706	(176,098)	(700,711)
Health	367,667	377,114	321,851	305,827
Human Services	7,294,386	8,033,302	(1,125,968)	(1,605,087)
Conservation and Recreation	58,463	387,487	375,847	380,071
Economic Development	550,342	746,776	(550,342)	(746,776)
Debt Service:				
Principal Retirement	335,254	479,528	(335,254)	(479,524)
Interest and Fiscal Charges	48,940	36,369	(48,940)	(36,373)
Total Cash Disbursements - Governmental	\$22,082,671	\$25,336,982	(\$7,046,722)	(\$8,451,524)
Business-Type Activities:				
Proprietary Funds	\$ 5,035,957	\$4,662,000	(\$ 620,042)	\$382

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$24,710,115 and cash disbursements and other financing uses of \$22,817,959. The net change in the General Fund balance for the year increased where the cash balance went from \$927,221 in 2009 to \$1,668,267 for 2010. The Pike Repair, Job and Family Services and Hardin County Board of Developmental Disabilities Funds had increases in net assets of \$386,794, \$177,846 and \$610,896, respectively, primarily as a result in a decrease in disbursements.

All enterprise funds had total operating cash receipts of \$4,604,070, non-operating cash receipts of \$7,930 and operating cash disbursements of \$5,035,957, resulting in a decrease in net assets of \$373,957. The Hardin Hills fund had a decrease in net assets of \$408,031 as a result of a decrease in charges for services and an increase in disbursements.

General Fund Budgeting Highlights

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

For the General Fund, final actual cash basis receipts and other financing sources were \$8,071,663 which includes the beginning budgetary balance, above original budget estimates of \$7,092,185. Of this \$979,478 positive variance, an increase in sales taxes of \$374,902 was the largest variance.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$6,692,631, which is \$417,736 less than the final appropriated amounts.

Capital Assets

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

Debt Administration

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds and loans. At December 31, 2010 the County had \$1,107,392 in bonds and related long-term debt for Governmental Activities. Table 4 summarizes bonds and long-term loans outstanding for Governmental Activities for the past two years:

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

	2010	2009
General Obligations/Special Assessment Bonds	\$ 691,948	\$ 955,398
OWDA Landfill Closure	247,646	302,888
OPWC Loans	167,798	181,059
Totals	<u>\$1,107,392</u>	<u>\$1,439,345</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010
UNAUDITED
(Continued)**

Current Financial Related Activities

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

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

Contacting the County's Financial Management

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

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**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2010**

	Primary Government			Component Unit Totals
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,828,784	\$1,420,815	\$11,249,599	
Cash and Cash Equivalents in Segregated Accounts	29,449		29,449	\$157,149
Cash With Fiscal Agent	690,162		690,162	
Total Assets	10,548,395	1,420,815	11,969,210	157,149
Net Assets:				
Restricted For:				
Debt Service	124,941		124,941	
Capital Projects	141,712		141,712	
Other Purposes	8,613,475		8,613,475	
Unrestricted	1,668,267	1,420,815	3,089,082	157,149
Total Net Assets	\$10,548,395	\$1,420,815	\$11,969,210	\$157,149

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,227,222	\$983,354	\$33,387	
Judicial	1,948,114	471,258	266,693	
Public Safety	2,862,239	369,806	405,259	
Public Works	5,390,044	1,409,100	3,804,846	
Health	367,667	364,700	76,600	\$248,218
Human Services	7,294,386	746,686	5,421,732	
Conservation and Recreation	58,463		4,118	430,192
Economic Development	550,342			
Debt Service:				
Principal Retirement	335,254			
Interest and Fiscal Charges	48,940			
Total Governmental Activities	<u>22,082,671</u>	<u>4,344,904</u>	<u>10,012,635</u>	<u>678,410</u>
Business Type Activities:				
Hardin Hills	4,486,807	3,925,772	5,595	
Waste Transfer Station	510,824	484,548		
Sewers	38,326			
Total Business Type Activities	<u>5,035,957</u>	<u>4,410,320</u>	<u>5,595</u>	
Total Primary Government	<u>27,118,628</u>	<u>8,755,224</u>	<u>10,018,230</u>	<u>678,410</u>
Component Units:				
Airport	213,555	81,004	178,675	
Harco Industries	93,423	83,184		
Hardin Housing	40,228	40,945		
Total Component Units	<u>\$347,206</u>	<u>\$205,133</u>	<u>\$178,675</u>	<u>\$0</u>

General Cash Receipts and Transfers

Property Taxes Levied for:

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

Transfers

Total General Cash Receipts and Transfers

Changes in Net Cash Assets

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

Net Cash Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
(\$2,210,481)		(\$2,210,481)	
(1,210,163)		(1,210,163)	
(2,087,174)		(2,087,174)	
(176,098)		(176,098)	
321,851		321,851	
(1,125,968)		(1,125,968)	
375,847		375,847	
(550,342)		(550,342)	
(335,254)		(335,254)	
(48,940)		(48,940)	
<u>(7,046,722)</u>		<u>(7,046,722)</u>	
	(\$555,440)	(555,440)	
	(26,276)	(26,276)	
	(38,326)	(38,326)	
	<u>(620,042)</u>	<u>(620,042)</u>	
<u>(\$7,046,722)</u>	<u>(620,042)</u>	<u>(7,666,764)</u>	
			\$46,124
			(10,239)
			717
			<u>36,602</u>
1,134,441		1,134,441	
275,234		275,234	
1,967,334		1,967,334	
3,374,901		3,374,901	
	48,676	48,676	
37,465	7,930	45,395	
1,402,250		1,402,250	
			12,500
152,789		152,789	640
644,464	139,479	783,943	
8,988,878	196,085	9,184,963	13,140
<u>(50,000)</u>	<u>50,000</u>		
<u>8,938,878</u>	<u>246,085</u>	<u>9,184,963</u>	<u>13,140</u>
1,892,156	(373,957)	1,518,199	49,742
<u>8,656,239</u>	<u>1,794,772</u>	<u>10,451,011</u>	<u>107,407</u>
<u>\$10,548,395</u>	<u>\$1,420,815</u>	<u>\$11,969,210</u>	<u>\$157,149</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	General Fund	Pike Repair Fund	Job and Family Services Fund	HCBD Fund	Other Governmental Funds	Total Governmental Funds
Cash Assets:						
Equity in Pooled Cash and Cash Equivalents	\$1,668,267	\$1,480,415	\$248,248	\$2,955,404	\$3,476,450	\$9,828,784
Cash and Cash Equivalents in Segregated Accounts				29,449		29,449
Cash With Fiscal Agent				690,162		690,162
Total Cash Assets	<u>1,668,267</u>	<u>1,480,415</u>	<u>248,248</u>	<u>3,675,015</u>	<u>3,476,450</u>	<u>10,548,395</u>
Cash Fund Balances:						
Reserved for Encumbrances	154,200	97,879	98,104	24,117	291,578	665,878
Unreserved, Reported in:						
General Fund	1,514,067					1,514,067
Special Revenue Funds		1,382,536	150,144	3,650,898	2,918,219	8,101,797
Debt Service Funds					124,941	124,941
Capital Projects Funds					141,712	141,712
Total Cash Fund Balances	<u>\$1,668,267</u>	<u>\$1,480,415</u>	<u>\$248,248</u>	<u>\$3,675,015</u>	<u>\$3,476,450</u>	<u>\$10,548,395</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Pike Repair Fund	Job and Family Services	HCBDD Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Taxes	\$1,134,441			\$1,967,334	\$275,234	\$3,377,009
Intergovernmental Receipts	1,181,344	\$3,804,846	\$2,311,617	1,786,956	3,008,532	12,093,295
Investment Income	151,265	1,061			463	152,789
Licenses and Permits	2,268				137,843	140,111
Fines & Forfeitures	26,162	27,419			149,438	203,019
Special Assessments					1,024,219	1,024,219
Charges for Services	1,025,713	506,199	328,293	286,712	830,638	2,977,555
Sales Taxes	3,374,901					3,374,901
Miscellaneous	218,040	68,179		53,547	304,698	644,464
Total Cash Receipts	<u>7,114,134</u>	<u>4,407,704</u>	<u>2,639,910</u>	<u>4,094,549</u>	<u>5,731,065</u>	<u>23,987,362</u>
Cash Disbursements:						
General Government:						
Legislative and Executive	2,751,811				475,411	3,227,222
Judicial	1,187,079				761,035	1,948,114
Public Safety	2,050,150				812,089	2,862,239
Public Works	28,946	4,037,137			1,323,961	5,390,044
Health					367,667	367,667
Human Services	178,980		2,462,064	3,483,653	1,169,689	7,294,386
Conservation and Recreation	31,125				27,338	58,463
Economic Development and Assistance					550,342	550,342
Debt Service:						
Principal Retirement					335,254	335,254
Interest & Fiscal Charges					48,940	48,940
Total Cash Disbursements	<u>6,228,091</u>	<u>4,037,137</u>	<u>2,462,064</u>	<u>3,483,653</u>	<u>5,871,726</u>	<u>22,082,671</u>
Cash Receipts Over/(Under) Cash Disbursements	886,043	370,567	177,846	610,896	(140,661)	1,904,691
Other Financing Sources (Uses):						
Sale of Capital Assets	7,976	29,489				37,465
Advances In	150,000				40,253	190,253
Advances Out	(53)				(190,200)	(190,253)
Operating Transfers In	7,367				487,668	495,035
Operating Transfers Out	(310,287)	(13,262)			(221,486)	(545,035)
Total Other Financing Sources/(Uses)	<u>(144,997)</u>	<u>16,227</u>			<u>116,235</u>	<u>(12,535)</u>
Excess of Cash Receipts and Other Financing Sources:						
Over/(Under) Cash Disbursements and Other Financing Uses	741,046	386,794	177,846	610,896	(24,426)	1,892,156
Cash Fund Balances - Beginning of Year (Restated-Note 16)	927,221	1,093,621	70,402	3,064,119	3,500,876	8,656,239
Cash Fund Balances - End of Year	<u>\$1,668,267</u>	<u>\$1,480,415</u>	<u>\$248,248</u>	<u>\$3,675,015</u>	<u>\$3,476,450</u>	<u>\$10,548,395</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2010**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,287,829	\$132,986	\$1,420,815
Total Cash Assets	1,287,829	132,986	1,420,815
Net Assets:			
Unrestricted	\$1,287,829	\$132,986	\$1,420,815

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts:			
Charges for Services	\$3,925,772	\$484,548	\$4,410,320
Intergovernmental	5,595		5,595
Special Assessments		48,676	48,676
Other Operating Receipts	139,479		139,479
Total Operating Cash Receipts	<u>4,070,846</u>	<u>533,224</u>	<u>4,604,070</u>
Operating Cash Disbursements:			
Personal Services	2,042,752	125,051	2,167,803
Fringe Benefits	686,787	54,154	740,941
Contractual Services	211,598	131,190	342,788
Materials and Supplies	426,049	70,508	496,557
Other Operating Expenses	740,962	168,018	908,980
Capital Outlay	378,659	229	378,888
Total Operating Cash Disbursements	<u>4,486,807</u>	<u>549,150</u>	<u>5,035,957</u>
Operating Income(Loss)	(415,961)	(15,926)	(431,887)
Non-Operating Cash Receipts/(Disbursements):			
Proceeds from the Sale of Capital Assets	7,930		7,930
Total Non-Operating Cash Revenues/(Disbursements)	<u>7,930</u>		<u>7,930</u>
Cash Receipts Over (Under) Cash Disbursements	(408,031)	(15,926)	(423,957)
Income Before Transfers and Advances:			
Transfers-In		50,000	50,000
Changes in Net Assets	(408,031)	34,074	(373,957)
Net Assets - Beginning of Year	<u>1,695,860</u>	<u>98,912</u>	<u>1,794,772</u>
Net Assets - End of Year	<u>\$1,287,829</u>	<u>\$132,986</u>	<u>\$1,420,815</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2010**

	Private Purpose Trust	Agency
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	\$306,452	\$3,204,540
Cash and Cash Equivalents in Segregated Accounts		231,434
Total Cash Assets	306,452	3,435,974
 Liabilities:		
Due to Other Governments		\$3,435,974
 Net Assets:		
Unrestricted	120,171	
Restricted	186,281	
Total Net Assets	\$306,452	

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Private Purpose Trust</u>
Cash Additions:	
Contributions	\$11,343
Investment Income	2,664
Total Cash Additions	<u>14,007</u>
Cash Deductions:	
Payments in Accordance with Trust Agreements	<u>19,317</u>
Total Cash Deductions	<u>19,317</u>
Changes in Net Assets	(5,310)
Net Assets - Beginning of Year	<u>311,762</u>
Net Assets - End of Year	<u><u>\$306,452</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. DESCRIPTION OF THE REPORTING ENTITY

Hardin County (the County) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The County operates under the direction of a three member elected board of county commissioners. A county auditor and county treasurer are responsible for fiscal control of the resources of the County which are maintained in the funds described below. Services provided by the County include public protection (sheriff and courts); human services; repair, maintenance and construction of roads, ditches and bridges; disposal transfer services; and developmental disabilities educational services.

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

A. Component Units

HARCO Industries, Inc.

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

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

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

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

Hardin County Housing Development, Inc.

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Hardin County Airport Authority

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

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

B. Jointly Governed Organizations

West Central Ohio Network

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

Hardin County Regional Planning Commission

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

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

Workforce Investment Act

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

Hardin County Family and Children First Council

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

Logan County Juvenile Detention Center

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

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

C. Joint Ventures:

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

In 2010, tax revenues generated by the levy in Hardin County totaled \$177,599. Complete financial statements can be obtained from the Allen County Auditor, Rhonda D. Eddy, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

Marion Hardin Correctional Center

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

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

The Center has no outstanding debt as of December 31, 2010. The Center has not accumulated significant financial resources, nor is the Center experiencing fiscal stress that may cause additional financial benefit or burden on the County in the future. Financial information can be obtained from the Marion County Auditor, Joan M. Kasotis, 222 West Center Street, Marion, Ohio 43302.

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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

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

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

County Employee Benefit Consortium of Ohio, Inc.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

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

Hardin County Veterans Memorial Park District

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

F. Potential Component Units

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

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

Kenton - Hardin General Health District

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

Soil and Water Conservation District

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

Other Districts

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-3 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on another comprehensive basis of accounting (OCBOA). This cash basis is similar to cash receipts and cash disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred.

B. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

3. Fund Accounting

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

4. Governmental Funds

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

General Fund - The General Fund is the general operating fund of the County and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is available to the County for any purpose provided it is expended or transferred according to the general laws of Ohio.

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

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Proprietary Funds

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

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

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

6. Fiduciary Funds

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

7. Component Units

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

C. Cash, Cash Equivalents, and Investments

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

Cash and cash equivalents held within departments of the County or held by the Component Units are recorded as "Cash and Cash Equivalents in Segregated Accounts". Cash held by the West Central Ohio Network on behalf of the County is recorded as "Cash with Fiscal Agent".

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

During 2010, investments were limited to STAR Ohio and Certificates of Deposit. The County records all its investments at cost.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2010. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2010.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2010 amounted to \$151,265, which includes \$136,959 assigned from other County funds. For calendar year 2010, total interest receipts amounted to \$155,453 in which \$151,265 was recorded in the General Fund; \$1,061 was recorded in the Pike Repair Fund; \$463 was recorded in other non-major Governmental Funds; and \$2,664 was recorded in other non-major Private Purpose Trust Funds.

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

D. Capital Assets and Depreciation

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

E. Compensated Absences

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

F. Employer Contributions to Cost-Sharing Pension Plans

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

G. Interfund Receivables/Payables

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

H. Health Care

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

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

The County's Department of Job and Family Services (JFS) distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately \$5,559,292 of federal food stamps during 2010.

J. Long-Term Obligations

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

K. Net Cash Assets

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

L. Inter-fund Transactions

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

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

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

M. Fund Balance Reserves

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the County to prepare its annual financial report in accordance with generally accepted accounting principles. However, the County prepared its financial statements on a cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accompanying financial statements omit assets, liabilities, net assets/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

4. DEPOSITS AND INVESTMENTS

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

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

Monies held by the County which are not considered active are classified as inactive. Inactive monies may be deposited or invested in the following securities:

1. United States Treasury notes, bills, bonds, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political sub-divisions, provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$12,833,153 of the County's bank balance of \$14,094,036 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

B. Investments

As of December 31, 2010, the County had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>	<u>More than 5</u>
STAR Ohio	\$1,140,955	\$1,140,955			

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

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

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

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

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

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed in 2008 for tax year 2009.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

5. PROPERTY TAXES (Continued)

The full tax rate for all County operations applied to real property for the year ended December 31, 2010, was \$11.05 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.05 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 \$9.93 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$10.57 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

The assessed value upon which the 2010 taxes were collected was \$462,848,510.

Real Property - 2010 Valuation:	
Residential/Agricultural	\$380,302,300
Commercial	39,761,770
Industrial	20,137,700
Public Utilities	401,530
Tangible Personal Property - 2010 Valuation:	
General	657,540
Public Utilities	<u>21,587,670</u>
Total Valuation	<u><u>\$462,848,510</u></u>

Real property taxes for tax year 2009 are payable annually or semi-annually. If paid annually, payment was due February 10, 2010. If paid semi-annually, the first payment was due February 10, 2010 with the remainder payable by July 14, 2010. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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.

6. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2010 amounted to \$3,374,901 and is recorded in the General Fund.

7. SHORT TERM DEBT

The County has no short-term debt as of December 31, 2010.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. LONG TERM DEBT

The County's long-term debt at year end consisted of general obligation bonds, special assessment bonds, and Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) Loans which are shown below. As of December 31, 2010 there is no long-term debt in the Enterprise Funds.

A. The County's long term debt transactions for the year ended December 31, 2010, are summarized below:

	Debt Principal Outstanding 1/1/10	Debt Principal Issued in 2010	Debt Principal Retired in 2010	Debt Principal Outstanding 12/31/10
General Obligation Bonds	\$ 334,998		\$175,000	\$ 159,998
Special Assessment Bonds				
With Government Commitment	623,700		91,750	531,950
OWDA Landfill Closure Loan	302,888		55,242	247,646
OPWC Loans	181,060		13,262	167,798
Total	\$1,439,346		\$335,254	\$1,107,392

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

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

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

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

In 2009, the County issued Special Assessment taxable bonds for the purpose of reimbursing the costs of construction improvements to a landfill slurry wall in the amount of \$500,000. The \$500,000 Landfill Slurry Wall bonds are scheduled for repayment over a ten year period beginning in April 2010.

In 2010, the County issued a Special Assessment taxable bond. It was for the purpose of paying the cost of constructing improvements to Marquart Ditch in the amount of \$3,300.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. LONG TERM DEBT (Continued)

The following are descriptions of the bonds and loans that existed in 2010 and were outstanding as of December 31, 2010:

Description	Issue Date	Issue Rate	Original Amount	2010 Paid Amount	Outstanding Amount	Maturity Date
General Obligation Bonds:						
County Courthouse Annex Bond	Oct 2002	Various	\$1,454,998	\$175,000	\$ 159,998	Dec 2012
				<u>175,000</u>	<u>159,998</u>	
Special Assessment Bonds:						
Landfill Slurry Wall	2009	4.99%	500,000	39,800	460,200	2019
Pattison Avenue Ditch	2003	3.94%	260,000	31,000	31,000	2011
Powell Ditch	2006	6.50%	4,000	800	800	2011
Lowery Ditch	2006	6.75%	5,300	750	750	2011
Huston Ditch	2007	5.00%	11,800	2,100	3,600	2012
Miller Ditch	2007	4.20%	32,500	6,300	12,400	2012
Harpster Ditch	2007	4.90%	35,000	6,500	11,000	2012
Dalton Ditch	2007	5.00%	4,350	800	1,000	2012
Maddy Ditch	2009	3.97%	11,600	3,700	7,900	2014
Marquart Ditch	2010	5.50%	3,300		3,300	2028
Total Special Assessment Bonds				<u>91,750</u>	<u>531,950</u>	
Total Bond Debt				<u>\$266,750</u>	<u>\$ 691,948</u>	
Loans:						
OWDA Loan – Landfill Closure	July 1997	4.56%	891,616	55,242	247,646	2014
OPWC Loan	June 2008	0.00%	191,768	13,262	167,798	2028
Total Loans				<u>68,504</u>	<u>415,444</u>	
Total Bonds and Loans				<u>\$335,254</u>	<u>\$1,107,392</u>	

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2010, including interest payments of \$332,781 are as follows:

	General Obligation Bonds - Governmental Purposes Principal	Special Assessment Bonds With Government Commitment Principal	OWDA Landfill Closure Loan Principal	OPWC Bridge Loans Principal	Totals Principal
2011	185,000	117,921	68,430	9,588	380,940
2012	155,000	82,560	68,431	9,589	315,579
2013		67,106	68,430	9,588	145,125
2014		66,916	68,431	9,589	144,935
2015		65,214		9,588	74,803
2016-2020		258,936		47,942	306,878
2021-2025				47,942	47,942
2026-2028				23,972	23,971
Total	340,000	658,653	273,722	167,798	1,440,173
Less: Interest Principal	(180,002)	(126,703)	(26,076)		(332,781)
	<u>\$159,998</u>	<u>\$531,950</u>	<u>\$247,646</u>	<u>\$167,798</u>	<u>\$1,107,392</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

8. LONG TERM DEBT (Continued)

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 un-voted 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, 2010 are an overall debt margin of \$10,028,365 and an un-voted debt margin of \$4,628,485.

The component unit, Hardin County Housing Development, Inc, had outstanding mortgage debt at December 31, 2010 in the amount of \$74,399.

9. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

All County employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 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 percent 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. Under the combined plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the traditional plan benefit. Member contributions, the investment of which 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll. For the year ended December 31, 2010, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.5 percent and 11.1 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2010, member and employer contribution rates were consistent across all three plans.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

9. PENSION OBLIGATIONS (Continued)

The County's 2010 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 17.87 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of the County's contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1, through February 28, 2010, and 5 percent from March 1, through December 31, 2010. Employer contribution rates are actuarially determined.

The County's required contributions to OPERS for pension obligations for the years ended December 31, 2010, 2009, and 2008 were 978,056, \$894,892 and \$784,172, respectively; 100 percent has been contributed for 2010, 2009 and 2008.

B. State Teachers Retirement System (STRS)

Plan Description - Certified teachers, employed by the County for Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost sharing multiple employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio is a statewide retirement plan for licensed teachers and other faculty members employed in the public schools of Ohio or any school, community school, college, university, institution or other agency controlled, managed and supported, in whole or in part, by the state or any political subdivision thereof. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

9. PENSION OBLIGATIONS (Continued)

Funding Policy - For fiscal year 2010, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations for the fiscal years 2010, 2009, and 2008 was \$33,902, \$34,657 and \$35,942; 100.00 percent has been contributed for fiscal years June 30, 2010, 2009 and 2008.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2010 Comprehensive Annual Financial Report will be available after December 17, 2010. Additional information or copies of STRS Ohio's 2010 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at www.strsoh.org.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2010, none have elected Social Security.

10. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit postemployment health care plan for qualifying members of both the traditional and combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan includes a medical plan, a prescription drug program, and Medicare Part B premium reimbursement.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

10. POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - The postemployment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of postemployment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2010, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 17.87 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 5.5 percent from January 1 through February 28, 2010, and 5 percent from March 1 through December 31, 2010.

The OPERS retirement board is also authorized to establish rules for the payment of a portion of the health care benefits provided by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the postemployment health care plan.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2010, 2009, and 2008 was \$557,009, \$644,234, and \$784,172, respectively; 100 percent has been contributed for 2010, 2009 and 2008.

The Health Care Preservation Plan (HCPP) adopted by the OPERS retirement board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased on January 1 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

B. State Teachers Retirement System

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

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2010, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years 2010, 2009, and 2008 were \$2,608, \$2,666, and \$4,044 respectively; 100 percent has been contributed for 2010, 2009, and 2008.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

11. REVOLVING LOANS

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

Payments made during 2010 and balances outstanding at December 31, 2010 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2010	Principal Outstanding 12/31/10
Plastic Systems	4.75%	2014	\$18,504	\$91,852
Dairy Barn	4.00%	2029	1,147	36,250
Laugh and Learn Day Care	5.00%	2024	4,332	65,674
Total Principal Paid and Outstanding			<u>\$23,983</u>	<u>\$193,776</u>

12. RISK MANAGEMENT

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

The County is a member of County Risk Sharing Authority, Inc. (CORSA) which is a shared risk pool of seventy-one counties in Ohio. CORSA was formed as an Ohio nonprofit corporation for the purpose of establishing the CORSA Insurance/Self-insurance Program, a group primary and excess insurance/self-insurance and risk management program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverages provided by CORSA. These coverages include comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance. Coverages provided are as follows:

General Liability – Each Occurrence	\$1,000,000
Law Enforcement Professional Liability	1,000,000
Automobile Liability	1,000,000
Errors and Omissions Liability	1,000,000
Excess Liability	5,000,000
Building and Contents	71,397,960
Equipment Breakdown	100,000,000
Public Officials' Liability	1,000,000
Ohio Stop Gap Employers' Liability	250,000
Uninsured/Underinsured Motorists	6,000,000
Medical Professional Liability	500,000
Foster Parents Coverage	500,000
Sewer Lines	500,000
Other Coverages	
Extra Expense – Business Interruption	100,000
EDP Media	1,000,000
Valuable Papers	100,000,000
Flood	100,000,000
Earthquake	1,000,000
Crime	1,000,000
Money and Securities	5,000,000
Automatic Acquisition	100,000

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

12. RISK MANAGEMENT (Continued)

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

13. INDIVIDUAL COMPONENT UNIT DISCLOSURE

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

	<u>Airport Authority</u>	<u>HARCO Industries</u>	<u>Hardin Housing</u>	<u>Totals</u>
Program Cash Receipts	\$259,679	\$83,184	\$40,945	\$383,808
General Cash Receipts	67	13,073		13,140
Program Cash Disbursements	213,555	93,423	40,228	347,206
Changes in Net Cash Assets	46,191	2,834	717	49,742
Net Cash Assets Beginning of Year	65,444	41,353	610	107,407
Net Cash Assets End of Year	<u>\$ 111,635</u>	<u>\$44,187</u>	<u>\$ 1,327</u>	<u>\$157,149</u>

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

14. RELATED PARTY TRANSACTIONS

During 2010, the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported the value of an In-Kind contribution that was determined in accordance with a formula developed by the Ohio Association of Adult Services. The In-Kind contribution from the Hardin County DD Board amounted to \$19,145.

During 2010, Hardin County provided the staff salaries, transportation, equipment and other funds as necessary to the Hardin County Housing Development, Inc. (HCHD). HCHD, which is one of the discretely presented component units of Hardin County, reported \$30,640 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

15. CONTINGENT LIABILITIES

A. Grants

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

15. CONTINGENT LIABILITIES (Continued)

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, 2010.

B. Litigation

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

C. Landfill

Each year the County engages a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study is subject to review by the Ohio Environmental Protection Agency. This year's study estimates that \$1,970,635 will be incurred over the remaining 15.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a promissory note for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

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

16. RESTATEMENT OF PRIOR YEAR NET ASSETS AND FUND BALANCES

Net assets of Governmental Activities were restated at January 1, 2010, to reclassify the Law Library Fund to a more appropriate classification. Previously, the Law Library Fund was an Agency fund liability of the County. This change had the following effect on net assets/fund balances as previously reported:

	Net Assets Governmental Activities	Fund Balance Other Governmental Funds
Net Assets/Fund Balance, December 31, 2009	\$8,603,840	\$3,448,477
Restatement for:		
Law Library Fund	52,399	52,399
Restated Net Assets/Fund Balance January 1, 2010	\$8,656,239	\$3,500,876

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

17. TRANSFERS

<u>Operating Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 7,367	\$310,287
Pike Repair		13,262
Other Governmental Funds:		
Landfill		183,180
GIS	51,766	
Emergency Management Agency	15,000	
Juv. Court - Bridgebuilders		4,982
Juv. Court – Restitution Program	15,939	
Juv. Court - CSAT		943
Juv. Court - Breakpoint		10,014
911	15,000	
Wireless Enhanced - 911		15,000
Keep Hardin County Beautiful	10,520	
Sheriff's Equipment Trust		7,367
Bond Retirement - Courthouse	33,000	
Note Retirement – OWDA Landfill	68,431	
Slurry Wall Bond	64,750	
OPWC Debt Retirement	13,262	
Permanent Improvement	200,000	
Total Other Governmental Funds	487,668	221,486
Enterprise Funds:		
Waste Disposal	50,000	
	<u>\$545,035</u>	<u>\$545,035</u>

The Transfers from the Landfill Fund were used for debt retirement on the OWDA Landfill Note and Slurry Wall Bonds and for Waste Disposal operations. The County has a resolution requiring monthly transfers from the General Fund to the GIS fund to finance GIS activities. The County transferred \$200,000 from the General Fund to the Permanent Improvement Fund during 2010 to finance future improvements. The transfer from the Sheriff's Equipment Fund to the General Fund was to transfer the balance of the fund into the Sheriff's account.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$792,185	\$792,185	\$792,185	
Resources (Inflows):				
Taxes	1,100,000	1,100,000	\$1,134,441	\$34,441
Intergovernmental	1,005,000	1,005,000	1,181,344	176,344
Investment Income	200,000	200,000	151,265	(48,735)
Licenses and Permits	2,000	2,000	2,268	268
Fines and Forfeitures	25,000	25,000	26,162	1,162
Charges for Services	889,000	889,000	1,025,713	136,713
Sales Taxes	3,000,000	3,000,000	3,374,901	374,901
Miscellaneous	74,600	74,600	218,040	143,440
Other Financing Sources:				
Sale of Capital Assets	4,400	4,400	7,976	3,576
Transfers In			7,367	7,367
Advances In			150,000	150,000
Amounts Available for Appropriation:	<u>7,092,185</u>	<u>7,092,185</u>	<u>8,071,662</u>	<u>979,477</u>
Charges to Appropriation (Outflows):				
General Government:				
Legislative and Executive	2,905,431	3,021,600	2,791,808	229,792
Judicial	1,089,536	1,320,457	1,242,894	77,563
Public Safety	2,023,752	2,144,534	2,077,951	66,583
Public Works	30,043	29,722	28,946	776
Human Services	204,901	208,343	187,981	20,362
Conservation and Recreation	49,916	52,711	52,711	
Other Financial Uses:				
Transfers Out	100,000	333,000	310,287	22,713
Advances Out			53	(53)
Total Charges to Appropriations:	<u>6,403,579</u>	<u>7,110,367</u>	<u>6,692,631</u>	<u>417,736</u>
Prior Year Encumbrances Appropriated	<u>135,036</u>	<u>135,036</u>	<u>135,036</u>	
Ending Budgetary Balance:	<u>\$823,642</u>	<u>\$116,854</u>	<u>\$1,514,067</u>	<u>\$1,397,213</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
PIKE REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$1,075,660	\$1,075,660	\$1,075,660	
Resources (Inflows):				
Intergovernmental	4,515,000	4,515,000	3,804,846	(\$710,154)
Investment Income	15,000	15,000	1,061	(13,939)
Fines and Forfeitures	50,000	50,000	27,419	(22,581)
Charges for Services	400,000	400,000	506,199	106,199
Miscellaneous	135,000	135,000	68,179	(66,821)
Other Financing Sources:				
Sale of Capital Assets	30,000	30,000	29,489	(511)
Amounts Available for Appropriation	6,220,660	6,220,660	5,512,853	(707,807)
Charges to Appropriation (Outflows):				
Public Works	4,995,000	5,010,963	4,135,016	875,947
Other Financing Uses:				
Transfers Out	150,000	150,000	13,262	136,738
Total Charges to Appropriations:	5,145,000	5,160,963	4,148,278	1,012,685
Prior Year Encumbrances Appropriated	17,960	17,960	17,960	
Ending Budgetary Balance:	<u>\$1,093,620</u>	<u>\$1,077,657</u>	<u>\$1,382,535</u>	<u>\$304,878</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	(\$27,598)	(\$27,598)	(\$27,598)	
Resources (Inflows):				
Intergovernmental	2,690,727	2,690,727	2,311,617	(\$379,110)
Charges for Services	255,000	255,000	328,293	73,293
Amounts Available for Appropriation	<u>2,918,129</u>	<u>2,918,129</u>	<u>2,612,312</u>	<u>(305,817)</u>
Charges to Appropriation (Outflows):				
Human Services	2,892,727	2,966,719	2,560,168	406,551
Other Financing Uses:				
Transfers Out	25,000	25,000		25,000
Total Charges to Appropriations	<u>2,917,727</u>	<u>2,991,719</u>	<u>2,560,168</u>	<u>431,551</u>
Prior Year Encumbrances Appropriated	<u>98,000</u>	<u>98,000</u>	<u>98,000</u>	
Ending Budgetary Balance	<u><u>\$98,402</u></u>	<u><u>\$24,410</u></u>	<u><u>\$150,144</u></u>	<u><u>\$125,734</u></u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
HARDIN COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$2,996,590	\$2,996,590	\$2,996,590	
Resources (Inflows):				
Taxes	1,886,960	1,886,960	1,967,334	80,374
Intergovernmental	1,598,957	1,598,957	1,786,956	187,999
Charges for Services	6,500	6,500	6,402	(98)
Other Financing Sources:				
Sale of Capital Assets	38,500	38,500	44,669	6,169
Amounts Available for Appropriation	6,527,507	6,527,507	6,801,951	274,444
Charges to Appropriation (Outflows):				
Human Services	3,398,063	3,484,933	3,363,568	121,365
Total Charges to Appropriations:	3,398,063	3,484,933	3,363,568	121,365
Prior Year Encumbrances Appropriated	8,163	8,163	8,163	
Ending Budgetary Balance	<u>\$3,137,607</u>	<u>\$3,050,737</u>	<u>\$3,446,546</u>	<u>\$395,809</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

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

1. BUDGETARY PROCESS

A. Budget

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

B. Estimated Resources

The County Budget Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official certificate of estimated resources that states the projected receipts of each fund. On or about January 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to December 31, the County must revise its budget so that the total contemplated disbursements from a fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. Budget receipts as shown in the accompanying financial statements do not include January 1 unencumbered fund balances. However, those fund balances are available for appropriations.

C. Appropriations

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2010 and were considered routine.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

1. BUDGETARY PROCESS (Continued)

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

D. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the cash basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and need not be re-appropriated.

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Education)</i>				
National School Lunch Program	N/A	10.555	\$2,262	\$953
<i>(Passed through Ohio Department Job and Family Services)</i>				
Supplemental Nutrition Assistance Program	G-1011-11-5048	10.561	205,961	
ARRA - Supplemental Nutrition Assistance Program	G-1011-11-5048	10.561	13,594	
Total Supplemental Nutrition Assistance Program			219,555	
Total United States Department of Agriculture			221,817	953
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant's / State's Program				
Community Development Program	B-F-08-1BD-1	14.228	19,000	
Community Development Program	08-CHIP/NSP	14.228	124,153	
Community Housing Improvement Program	B-C-08-1BD-1	14.228	30,435	
Community Development Program	B-F-09-1BD-1	14.228	62,113	
Total Community Development Block Grant's / State's Program			235,701	
HOME Investment Partnerships Program	B-C-08-1BD-2	14.239	226,902	
Total U.S. Department of Housing and Urban Development			462,603	
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Ohio Department of Youth Services)</i>				
Edward Byrne Memorial Justice Assistance Grant Program	09-JG-C01-T11921	16.738	28,214	
<i>(Passed through Ohio Department of Alcohol & Drug Addiction Services)</i>				
ARRA - Edward Byrne Memorial Competitive Grant Program	99-3302-ARRA-T-11-1120	16.808	29,150	
Total United States Department of Justice			57,364	
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education Grants to States	066027-6BSF-10	84.027	22,036	
Special Education Preschool Grants	066027-PGS1-10	84.173	9,056	
ARRA - Special Education Grants to States	N/A	84.391	10,503	
Total Special Education Cluster			41,595	
Total United States Department of Education			41,595	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
<i>(Direct Program)</i>				
Substance Abuse and Mental Health Services	1H79T1020938-1	93.243	943	
<i>(Passed through Ohio Department Job and Family Services)</i>				
Temporary Assistance for Needy Families (TANF) Cluster:				
Temporary Assistance for Needy Families (TANF) State Programs	G-1011-11-5048	93.558	601,074	
ARRA - Emergency Contingency Fund for TANF State Programs	G-1011-11-5048	93.714	45,363	
Total Temporary Assistance for Needy Families (TANF) Cluster			646,437	
Medical Assistance Program	G-1011-11-5048	93.778	342,452	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program		93.778	51,187	
Total Medical Assistance Program			393,639	

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2010
(Continued)**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
<i>(Passed through Ohio Department Job and Family Services) (Continued)</i>				
Child Care Cluster:				
Child Care and Development Block Grant	G-1011-11-5048	93.575	2,418	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5048	93.596	<u>28,211</u>	
Total Child Care Cluster			30,629	
Social Services Block Grant	G-1011-11-5048	93.667	335,945	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant		93.667	<u>15,087</u>	
Total Social Services Block Grant			351,032	
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Promoting Safe and Stable Families	G-1011-11-5048	93.556	10,205	
Child Welfare Services State Grants	G-1011-11-5048	93.645	27,474	
Child Abuse and Neglect State Grants	G-1011-11-5048	93.669	1,815	
ARRA - Foster Care Title IV-E - Protect Ohio Waiver	G-1011-11-5048	93.658	77,277	
<i>(Passed through Ohio Department of Child Support Enforcement)</i>				
Child Support Enforcement	G-1011-11-5049	93.563	181,902	
ARRA - Child Support Enforcement	G-1011-11-5049	93.563	<u>245,310</u>	
Total Child Support Enforcement Agency			427,212	
<i>(Passed through Ohio Secretary of State)</i>				
Voting Access for Individuals With Disabilities Grants to States	N/A	93.617	<u>3,116</u>	
Total United States Department of Health and Human Services			<u>1,969,779</u>	
U.S. ELECTIONS ASSISTANCE COMMISSION				
<i>(Passed through the Ohio Secretary of State)</i>				
Help America Vote Act Requirements Payments	N/A	90.401	<u>534</u>	
Total United States Elections Assistance Commission			<u>534</u>	
U.S. DEPARTMENT OF COMMERCE				
<i>(Passed through Ohio Department of Public Safety Emergency Management Agency)</i>				
Public Safety Interoperable Communications Grant Program	07-GS-H7-0053	11.555	<u>184,889</u>	
Total United States Department of Commerce			<u>184,889</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Department of Public Safety)</i>				
Emergency Management Performance Grants	10-EP-00-0003	97.042	8,183	
Emergency Management Performance Grants	09-EP-E9-0062	97.042	<u>8,435</u>	
Total Emergency Management Performance Grants			16,618	
Homeland Security Grant Program	09-SS-T9-0089	97.067	34,202	
Homeland Security Grant Program	08-GE-T8-0025	97.067	<u>4,052</u>	
Total Homeland Security Grant Program			<u>38,254</u>	
Total U.S. Department of Homeland Security			<u>54,872</u>	
Total Federal Awards Expenditures			<u>\$2,993,453</u>	<u>\$953</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

Revolving Loan Program

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

<u>Small Business Revolving Loans</u>	<u>Loan Activity and Balances</u>	<u>Cash Activity and Balances</u>
Beginning Balances January 1, 2010	\$217,759	\$155,431
Loan Principal Repayments / Cash Receipts	(23,983)	36,362
Loan and Grant Disbursements / Disbursements		(87,740)
Ending Balances December 31, 2010	<u>\$193,776</u>	<u>\$104,053</u>

See financial statement note 11 for additional loan activity details.

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2010
(Continued)**

NOTE 4 - OHIO DEPARTMENT OF JOB AND FAMILY SERVICES ADJUSTMENTS

The Ohio Department of Job and Family Services (ODJFS) sub-awarded to Hardin County, Federal funding from the U.S. Department of Health and Human Services. Although these programs were administered at the County level, in July 2010 ODJFS adjusted some of the County's child care expenditures to align them with available funding sources. ODJFS' adjustments were retroactive to the beginning of the grant period (October 1, 2009). Therefore, these July 2010 adjustments affect 2009 calendar-year program expenditures previously reported as follows:

Child Care Cluster	CFDA #	Pass through #	2009 Federal Expenditures Reported	July 2010 Adjustment	Adjusted 2009 Federal Expenditures Reported
Child Care Mandatory and Matching Fund of the Child Care and Development Fund	93.596	JFSFTF10-3H70	\$85,412	(\$51,928)	\$33,484
Temporary Assistance for Needy Families	93.558	JFSTF10-3V60	205,600	51,928	257,528
Total			<u>\$291,012</u>		<u>\$291,012</u>



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated, September 26, 2011, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. As disclosed in Note 16, the County restated the January 1, 2010 Net Assets of the Governmental Activities and Fund Balance of other Governmental Funds. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the component unit Hardin County Housing Development, Inc., as described in our report on the County's financial statement. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors reported. Other Auditors audited the financial statements of the component unit HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to this component unit.

Internal Control Over Financial Reporting

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

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider a significant deficiency in internal control over financial reporting. We consider finding 2010-01 to be a significant deficiency. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2010-02.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated September 26, 2011.

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

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



Dave Yost
Auditor of State

September 26, 2011



Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Hardin County's major federal programs for the year ended December 31, 2010. The summary of auditor's results section of the accompanying schedule of findings and questioned costs identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Hardin County Airport Authority, which received \$159,095 in federal awards which is not included in the County's Federal Awards Expenditure Schedule for the year ended December 31, 2010. Our audit of Federal awards, described below, did not include the operations of the Hardin County Airport Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2010, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that, while not affecting our opinion on compliance, OMB Circular A-133 requires us to report. The accompanying schedule of findings and questioned costs lists these instances as Findings 2010-03 through 2010-05.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, described in the accompanying schedule of findings and questioned costs as items 2010-03 through 2010-05. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a federal program compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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



Dave Yost
Auditor of State

September 26, 2011

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2010**

1. SUMMARY OF AUDITOR'S RESULTS

	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510(a)?	Yes
(d)(1)(vii)	Major Programs (list):	CFDA # 93.558 and #93.714 - Temporary Assistance for Needy Families Cluster, CFDA # 93.563 - Child Support Enforcement / ARRA Child Support Enforcement, CFDA # 93.667 - Social Services Block Grant CFDA # 14.239 – HOME Investment Partnerships Program
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2010-01

Significant Deficiency

Recording of Financial Activity

The County should have procedures and/or controls to help assure that financial statements are presented in accordance with reporting standards. The County's 2010 financial statements had the following financial recording errors:

- Charges for Services receipts in the amount of \$280,310 were classified as Taxes in the Hardin County Board of Developmental Disabilities Fund (HCBDD) on the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances. On the Statement of Activities, for Governmental Activities, these receipts were also misclassified as General Receipts, Taxes. The proper classification for these receipts is Program Cash Receipts - Charges for Services. These Charges for Services represent amounts received by the West Central Ohio Network (West CON) on behalf of the HCBDD.
- Proceeds from the Sale of Capital Assets for the Pike Repair Fund in the amount of \$29,489 were classified as Sales Tax receipts on the Statement of Cash Receipts, Cash Disbursements and Changes in Fund Cash Balances. On the Statement of Activities this receipt was classified as Property Taxes – General Purpose
- Restricted Net Assets for Governmental Activities reported on the Statement of Net Assets were not consistent by fund type with the Fund Balances reported on the Statement of Cash Basis Assets and Fund Balances. An audit adjustment was required to reclassify \$511,678 from Restricted for Other Purposes to Unrestricted Net Assets.

The accompanying financial statements have been adjusted to correct these errors.

The County contracted with an accounting firm to compile the annual financial statements and notes to the financial statements; however, the County remains responsible for this compilation. Prior to submitting the annual compilation to the Auditor of State, the County Auditor should review the compilation to identify and correct reporting errors.

OFFICIALS RESPONSE:

As a third party helps in the preparation of the annual report, they posted incorrectly certain amounts which were not caught during the final review. We will try to correct in future reports.

FINDING NUMBER 2010-02

Noncompliance Citation

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

**FINDING NUMBER 2010-02
 (Continued)**

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

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

OFFICIALS RESPONSE:

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

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2010-03
CFDA Title and Number	#93.558 Temporary Assistance for Needy Families (TANF)
Federal Award Number / Year	2008, 2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation / Questioned Costs /Significant Deficiency

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

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

**FINDING NUMBER 2010-03
 (Continued)**

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

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

During 2010, a total of \$102,397 of rental payments was paid by the Hardin County Job and Family Services department to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Job and Family Services department and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,782,382	
Expected Useful Life of the Asset (Years)	<u>40</u>	
Annual Depreciation Calculation:		\$44,560
2010 Interest on Building Bond		<u>5,600</u>
Total Allowable Rental Cost		\$50,160
Hardin JFS Share of Building		<u>62%</u>
Allowable Rent to be Paid by Hardin JFS		\$31,099
Total Rent paid by Hardin JFS		<u>102,397</u>
Excess Rent Payment		<u>\$71,298</u>
Excess Rent Payment Allocated to TANF Program		20,378
Percentage of TANF Program Which is Federally Funded		<u>100%</u>
Questioned Cost for TANF Program		<u><u>\$20,378</u></u>

The \$71,298 in excess rent was allocated to each federally funded program through an indirect cost pool to the Job and Family Service departments’ federally funded programs. As noted above, \$20,378 in excess rent allocated to the TANF Grant is federal questioned costs.

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

OFFICIALS RESPONSE:

See combined response at the ending of finding number 2010-05.

Finding Number	2010-04
CFDA Title and Number	#93.563 Child Support Enforcement
Federal Award Number / Year	2008, 2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Child Support Enforcement

Noncompliance Citation / Questioned Costs /Significant Deficiency

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

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

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

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

During 2010, a total of \$38,760 of rental payments was paid by the Hardin County Child Support Enforcement Agency to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Child Support Enforcement Agency and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

**FINDING NUMBER 2010-04
 (Continued)**

Acquisition Cost of the Building	\$1,782,382		
Expected Useful Life of the Asset (Years)	40		
Annual Depreciation Calculation:		\$44,560	
2010 Interest on Building Bond		5,600	
Total Allowable Rental Cost		\$50,160	
Hardin CSEA Share of Building		24%	
Allowable Rent to be Paid by Hardin CSEA			\$12,038
Total Rent paid by Hardin CSEA			38,760
Excess Rent Payment			\$26,722
Excess Rent Payment Allocated to CSEA Program			\$26,722
Percentage of CSEA Program Which is Federally Funded			66%
Questioned Cost for CSEA Program			\$17,636

The \$26,722 in excess rent was allocated to each federally funded program through an indirect cost pool to the Child Support Enforcement Agency's federally funded programs. As noted above, \$17,636 of the \$26,722 in excess rent allocated to the CSEA Title IV-D program is federal questioned costs; the remainder of the excess rent was funded from state (GRF) monies, which is in violation of Ohio Admin. Code Section 5101:9-4-11(A) listed above.

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

OFFICIALS RESPONSE:

See combined response at the ending of finding number 2010-05.

Finding Number	2010-05
CFDA Title and Number	#93.667 Social Services Block Grant
Federal Award Number / Year	2009, 2010
Federal Agency	U.S. Department of Human Services
Pass-Through Agency	Ohio Department of Job and Family Services

Noncompliance Citation / Questioned Costs /Significant Deficiency

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

FINDING NUMBER 2010-05
(Continued)

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

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

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

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

During 2010, a total of \$102,397 of rental payments was paid by the Hardin County Job and Family Services department to the Hardin County Board of Commissioners. Maintenance and insurance are paid directly by the Hardin County Job and Family Services department and are therefore not included as part of the rent. The unallowable cost is shown in the schedule below:

Acquisition Cost of the Building	\$1,782,382	
Expected Useful Life of the Asset (Years)	<u>40</u>	
Annual Depreciation Calculation:		\$44,560
2010 Interest on Building Bond		<u>5,600</u>
Total Allowable Rental Cost		<u>\$50,160</u>
Hardin JFS Share of Building		<u>62%</u>
Allowable Rent to be Paid by Hardin JFS		\$31,099
Total Rent paid by Hardin JFS		<u>102,397</u>
Excess Rent Payment		<u>\$71,298</u>
Excess Rent Payment Allocated to Social Services Block Grant (SSBG) Program		\$11,184
Percentage of Social Services Block Grant Program Which is Federally Funded		<u>100%</u>
Questioned Cost for Social Services Block Grant Program		<u>\$11,184</u>

**FINDING NUMBER 2010-05
(Continued)**

The \$71,298 in excess rent was allocated to each federally funded program through an indirect cost pool to the Job and Family Service departments' federally funded programs. As noted above, \$11,184 in excess rent allocated to the Social Services Block Grant is federal questioned costs.

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

OFFICIALS RESPONSE:

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

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2010**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2009-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – the County did not prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as Finding 2010-02
2009-002	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County JFS improperly charged rent expense to the TANF (CFDA #93.558) (questioned cost \$18,832),	No	Repeated as Finding 2010-03
2009-003	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County CSEA improperly charged rent expense to the Child Support Enforcement Grant (CFDA #93.563) (questioned cost \$16,829)	No	Repeated as Finding 2010-04
2009-004	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County JFS improperly charged rent expense to the Social Services Block Grant (CFDA #93.667) (questioned cost \$10,335)	No	Repeated as Finding 2010-05

**FINANCIAL CONDITION
HARDIN COUNTY**

**CORRECTIVE ACTION PLAN
OMB CIRCULAR A -133 § .315 (c)
DECEMBER 31, 2010**

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2010-003	Continue with the contract as written	N/A	Hardin County Commissioners
2010-004	Continue with the contract as written	N/A	Hardin County Commissioners
2010-005	Continue with the contract as written	N/A	Hardin County Commissioners



Dave Yost • Auditor of State

HARDIN COUNTY FINANCIAL CONDITION

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 10, 2011