



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

HARDIN COUNTY
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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of County Commissioners:

We have audited the accompanying general-purpose financial statements of Hardin County, (the "County"), as of and for the year ended December 31, 2001. These general-purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of the component units, Harco Industries, Inc. which represents 5 percent and 32 percent respectively, and Hardin County Housing Development, Inc. which represents 86 percent and 34 percent, respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, Harco Industries, Inc. and Hardin County Housing Development, Inc. is based on the report 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The financial statements of the component unit Harco Industries, Inc., were audited by the other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards*. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Hardin County, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, during the year-ended December 31, 2001, the County adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and Governmental Accounting Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2002 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, sweeping initial "J" and a long horizontal stroke extending to the right.

Jim Petro
Auditor of State

June 27, 2002

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HARDIN COUNTY

COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS
 AND DISCRETELY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2001

	Governmental Fund Types			Proprietary Fund Types		
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits						
Assets						
Cash and Cash Equivalents	\$1,754,373	\$4,714,573	\$98,060	\$160,404	\$579,825	\$37,341
Cash and Cash Equivalents in Segregated Accounts						
Investments						
Receivables:						
Taxes	317,298					
Accounts	52,015	68,639			205,626	60,138
Special Assessments						
Accrued Interest	8,750					
Due from Other Governments	511,081	2,609,678				
Due from Agency Funds-Taxes	1,204,017	1,524,102				
Due from Agency Funds-Special Assessments		687,836	106,263		6,564	
Materials and Supplies Inventory		168,890				
Notes Receivable		341,021				
Prepaid Items	39,055	4,588			11,630	
Interfund Receivable	83,490					
Advances to Other Funds	285,100					
Fixed Assets, (Net where applicable of Accumulated Depreciation)					776,679	
Other Debits						
Amount Available in Debt Service						
Amount to be Provided from General Government Resources						
Total Assets	<u>4,255,179</u>	<u>10,119,327</u>	<u>204,323</u>	<u>160,404</u>	<u>1,580,324</u>	<u>97,479</u>

Fiduciary Fund Types	Account Groups		Total	Component Units	Totals
	General Fixed Assets	General Long-Term Obligat	Primary Government (Memorandum Only)		Reporting Entity (Memorandum Only)
Trust and Agency					
\$2,503,678			\$9,848,253		\$9,848,253
163,479			163,479	83,160	246,639
166,281			166,281		166,281
13,875,273			14,192,571		14,192,571
58,537			444,955	18,931	463,886
1,038,787			1,038,787		1,038,787
345			9,095		9,095
2,071,786			5,192,545		5,192,545
			2,728,119		2,728,119
			800,663		800,663
			168,890	8,862	177,752
			341,021		341,021
			55,273		55,273
			83,490		83,490
			285,100		285,100
	5,648,927		6,525,606	719,378	7,244,984
		98,060	98,060		98,060
		5,594,052	5,594,052		5,594,052
<u>19,878,167</u>	<u>5,648,927</u>	<u>5,692,112</u>	<u>47,736,241</u>	<u>830,331</u>	<u>48,566,572</u>

HARDIN COUNTY
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
DECEMBER 31, 2001
(Continued)

	<u>Governmental Fund Types</u>			<u>Proprietary Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>Internal Service</u>
Liabilities						
Accounts Payable	59,326	309,739			70,649	
Accrued Wages and Benefits	122,682	181,709			74,380	
Compensated Absences Payable	15,977	35,293			105,246	
Due to Other Governments	122,789	245,845			79,747	
Due to County Funds-Taxes						
Due to County Funds-Special Assessments						
Deferred Revenue	1,630,561	4,228,624	106,263		6,564	
Deposit Held for Others Payable						
Undistributed Monies						
Payroll Withholdings						
Mortgage Loan Payable						
Claims Payable						128,787
Incurred But Not Reported Claims						148,126
Advances From Other Funds					85,100	200,000
Interfund Payable		83,490				
Post Closure Care Payable						
Loans Payable						
General Obligation Bonds Payable						
Special Assessment Debt with Governmental Commitment						
Obligation For Containment Wall						
Total Liabilities	<u>1,951,335</u>	<u>5,084,700</u>	<u>106,263</u>		<u>421,686</u>	<u>476,913</u>
Fund Equity and Other Credits						
Investment in General Fixed Assets						
Retained Earnings:						
Reserved:						
Unreserved					1,158,638	(379,434)
Fund Balance:						
Reserved for Encumbrances	13,737					
Reserved for Materials and Supplies Inventory		168,890				
Reserved for Prepaid Items	39,055	4,588				
Reserved for Debt Service			98,060			
Reserved for Trust Principal						
Reserved for Advances	285,100					
Reserved for Notes Receivable		341,021				
Reserved for Tax Revenue						
Unavailable for Appropriations	34,215	62,325				
Unreserved:						
Undesignated	1,931,737	4,457,803		160,404		
Total Fund Equity	<u>2,303,844</u>	<u>5,034,627</u>	<u>98,060</u>	<u>160,404</u>	<u>1,158,638</u>	<u>(379,434)</u>
Total Liabilities and Fund Equity	<u>\$4,255,179</u>	<u>\$10,119,327</u>	<u>\$204,323</u>	<u>\$160,404</u>	<u>\$1,580,324</u>	<u>\$97,479</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Types	Account Groups		Total	Component Units	Totals
	General Fixed Assets	General Long-Term Obligat	Primary Government (Memorandum Only)		Reporting Entity (Memorandum Only)
Trust and Agency					
183,770			623,484		623,484
27,569			406,340	3,471	409,811
		656,875	813,391	2,462	815,853
15,239,232		221,251	15,908,864		15,908,864
2,728,119			2,728,119		2,728,119
800,663			800,663		800,663
36,364			6,008,376		6,008,376
				3,202	3,202
194,225			194,225		194,225
				2,151	2,151
				151,739	151,739
			128,787		128,787
			148,126		148,126
			285,100		285,100
			83,490		83,490
		1,579,987	1,579,987		1,579,987
		706,823	706,823		706,823
		1,520,000	1,520,000		1,520,000
		107,176	107,176		107,176
		900,000	900,000		900,000
19,209,942		5,692,112	32,942,951	163,025	33,105,976
	5,648,927		5,748,927		5,748,927
			779,204	667,306	1,446,510
25,075			38,812		38,812
			168,890		168,890
			43,643		43,643
			98,060		98,060
186,281			186,281		186,281
			285,100		285,100
			341,021		341,021
			96,540		96,540
456,869			7,006,813		7,006,813
668,225	5,648,927		14,793,290	667,306	15,460,596
\$19,878,167	\$5,648,927	\$5,692,112	\$47,736,241	\$830,331	\$48,566,572

HARDIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR DECEMBER 31, 2001

	Governmental Fund Types			Fiduciary	Totals (Memorandum Only) Reporting Entity
	General	Special Revenue	Debt Service	Capital Projects	
Revenues:					
Taxes	\$2,958,659	\$1,745,102			\$4,703,761
Charges for Services	736,240	943,462			1,679,702
Licenses and Permits	2,634	50,986			53,620
Fines and Forfeitures	28,028	49,788			77,816
Intergovernmental	1,011,725	8,466,015			9,477,740
Special Assessments		695,786	34,415	85,461	815,662
Investment Income	644,865	32,829	3,724		691,131
Rental Income	1,000		139,008		140,008
Other	176,942	819,112		310	1,057,729
Total Revenue	<u>5,560,093</u>	<u>12,803,080</u>	<u>177,147</u>	<u>85,771</u>	<u>18,697,169</u>
Expenditures:					
Current:					
General Government:					
Legislative and Executive	2,485,250	340,377			2,825,627
Judicial	971,401	435,453			1,406,854
Public Safety	1,797,653	281,151			2,078,804
Public Works	941	3,684,720			3,685,661
Health		73,069			73,069
Human Services	171,226	7,466,111			7,637,337
Economic Development and Assistance	3,180	234,903			238,083
Other	211,067			108,312	319,379
Capital Outlay			16,056	642,184	667,740
Debt Service:					
Principal Retirement			137,408		137,408
Interest and Fiscal Charges			143,854		143,854
Total Expenditures	<u>5,640,718</u>	<u>12,515,784</u>	<u>297,318</u>	<u>642,184</u>	<u>19,213,816</u>
Excess of Revenues Over (Under) Expenditures	<u>(80,625)</u>	<u>287,296</u>	<u>(120,171)</u>	<u>(556,413)</u>	<u>(46,734)</u>
Other Financing Sources (Uses):					
Other Financing Uses	(71)			(282)	(353)
Proceeds of Bonds				23,900	23,900
Sale of Fixed Assets	7,061	32,500			39,561
Operating Transfers - In	21,208	15,592	81,095	350,000	468,155
Operating Transfers - Out	(8,003)	(418,943)			(428,838)
Total Other Sources (Uses)	<u>20,195</u>	<u>(370,851)</u>	<u>81,095</u>	<u>373,900</u>	<u>102,425</u>
Revenues and Other Financing Sources (Under) Expenditures and Other Uses	(60,430)	(83,555)	(39,076)	(182,513)	(414,222)
Fund Balances at Beginning of Year	2,364,274	5,114,951	137,136	342,917	8,425,390
Increase in Reserve for Inventory		3,231			3,231
Fund Balances at End of Year	<u>\$2,303,844</u>	<u>\$5,034,627</u>	<u>\$98,060</u>	<u>\$160,404</u>	<u>\$8,014,399</u>

See accompanying notes to the general purpose financial statements.

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HARDIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Governmental Fund Types					
	General Fund			Special Revenue Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:						
Taxes	\$2,750,000	\$3,049,189	\$299,189	\$1,774,350	\$1,876,015	\$101,665
Charges for Services	635,000	731,653	96,653	977,234	1,255,598	(86,636)
Licenses and Permits	3,000	2,634	(366)	76,000	79,858	3,858
Fines and Forfeitures	20,000	28,008	8,008	106,325	83,750	(22,575)
Intergovernmental	932,000	1,026,810	94,810	9,414,619	8,285,101	(1,129,518)
Special Assessments				753,753	695,786	(57,967)
Investment Income	445,000	710,488	265,488	55,000	32,829	(22,171)
Rental Income	500	1,000	500	2,250		(2,250)
Other	83,000	174,307	91,307	1,943,300	910,455	(1,032,845)
Total Revenue	<u>4,868,500</u>	<u>5,724,089</u>	<u>855,589</u>	<u>15,102,831</u>	<u>13,219,392</u>	<u>(2,248,439)</u>
Expenditures:						
Current:						
General Government:						
Legislative and Executive	2,675,418	2,534,786	140,632	428,472	345,961	82,511
Judicial	1,085,657	980,241	105,416	819,468	396,193	423,275
Public Safety	1,860,000	1,781,655	78,345	486,861	306,069	180,792
Public Works	500		500	5,104,976	3,767,271	1,337,705
Health				71,871	70,013	1,858
Human Services	165,974	159,215	6,759	8,720,396	7,898,886	1,336,510
Economic Development and Assistance	22,000	3,380	18,620	1,700,000	458,755	1,241,245
Other	212,370	211,067	1,303			
Capital Outlay						
Debt Service:						
Principal Retirement						
Interest and Fiscal Charges						
Total Expenditures	<u>6,021,919</u>	<u>5,671,246</u>	<u>350,673</u>	<u>17,332,044</u>	<u>13,243,148</u>	<u>4,603,896</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,153,419)</u>	<u>52,843</u>	<u>1,206,262</u>	<u>(2,229,213)</u>	<u>(23,756)</u>	<u>2,355,457</u>
Other Financing Sources (Uses):						
Other Financial Uses						
Proceeds of Bonds						
Proceeds of Notes						
				250,000		(250,000)
Sale of Fixed Assets	1,500	7,061	5,561	50,000	32,500	(17,500)
Advances - In		147,697	82,697	3,000	108,697	105,697
Advances - Out	(10,000)	(102,797)	(92,797)		(73,697)	(73,697)
Operating Transfers - In	30,000	21,208	56,208	777,137	45,592	(366,545)
Operating Transfers - Out	(200,000)	(8,003)	191,997	(1,267,435)	(418,943)	333,492
Total Other Sources (Uses)	<u>(178,500)</u>	<u>65,166</u>	<u>243,666</u>	<u>(187,298)</u>	<u>(305,851)</u>	<u>(268,553)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>(1,331,919)</u>	<u>118,009</u>	<u>1,449,928</u>	<u>(2,416,511)</u>	<u>(329,607)</u>	<u>2,086,904</u>
Fund Balances at Beginning of Year	1,476,682	1,476,682		4,515,242	4,515,242	
Prior Year Encumbrances Appropriated	86,619	86,619		240,147	240,147	
Fund Balances at End of Year	<u>\$231,382</u>	<u>\$1,681,310</u>	<u>\$1,449,928</u>	<u>\$2,338,878</u>	<u>\$4,425,782</u>	<u>\$2,086,904</u>

See accompanying notes to the general purpose financial statements.

Governmental Fund Types						Expendable Trust Funds		
Debt Service Fund			Capital Projects Funds					
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
34,415	34,415		85,461	85,461				
5,000	3,724	(1,276)					9,713	9,713
135,000	101,308	(33,692)						
			2,000	310	(\$1,690)	68,236	61,365	(6,871)
<u>174,415</u>	<u>139,447</u>	<u>(34,968)</u>	<u>87,461</u>	<u>85,771</u>	<u>(1,690)</u>	<u>68,236</u>	<u>71,078</u>	<u>2,842</u>
						251,926	112,160	139,766
29,113	16,056	13,057	802,430	604,484	197,946	40,000	34,000	6,000
137,497	137,408	89						
143,937	143,854	83						
<u>310,547</u>	<u>297,318</u>	<u>13,229</u>	<u>802,430</u>	<u>604,484</u>	<u>197,946</u>	<u>291,926</u>	<u>146,160</u>	<u>145,766</u>
<u>(136,132)</u>	<u>(157,871)</u>	<u>(21,739)</u>	<u>(714,969)</u>	<u>(518,713)</u>	<u>196,256</u>	<u>(223,690)</u>	<u>(75,082)</u>	<u>148,608</u>
						(25,000)	(282)	24,718
			12,900	23,900	11,000			
81,200	81,095	(105)	450,000	350,000	(100,000)	2,500	260	(2,240)
						(15,000)	(1,892)	13,108
<u>81,200</u>	<u>81,095</u>	<u>(105)</u>	<u>462,900</u>	<u>373,900</u>	<u>(89,000)</u>	<u>(37,500)</u>	<u>(1,914)</u>	<u>35,586</u>
(54,932)	(76,776)	(21,844)	(252,069)	(144,813)	107,256	(261,190)	(76,996)	184,194
137,136	137,136		342,917	342,917		463,386	463,386	
						6,000	6,000	
<u>\$82,204</u>	<u>\$60,360</u>	<u>(\$21,844)</u>	<u>\$90,848</u>	<u>\$198,104</u>	<u>\$107,256</u>	<u>\$208,196</u>	<u>\$392,390</u>	<u>\$184,194</u>

HARDIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY
ALL PROPRIETARY FUND TYPES, NON-EXPENDABLE TRUST FUNDS, AND
DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government	Discretely Presented	Total Reporting Entity
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum Only)	Component Units	(Memorandum Only)
Operating Revenues:						
Charges for Services	\$3,277,931	\$1,412,934		\$4,690,865	\$197,118	\$4,887,983
Intergovernmental					176,529	176,529
Interest on Investments			11,718	11,718		11,718
Rental Income					16,720	16,720
Special Assessments	27,183			27,183		27,183
In-kind Contributions					12,838	12,838
Other Operating Revenues		43,994	1,625	45,619	7,259	52,878
Total Operating Revenues	<u>3,305,114</u>	<u>1,456,928</u>	<u>13,343</u>	<u>4,775,385</u>	<u>410,464</u>	<u>5,185,849</u>
Operating Expenses:						
Personal Services	1,750,429			1,750,429	130,734	1,881,164
Fringe Benefits	559,853			559,853	9,875	569,728
Contractual Services	149,843			149,843	52,299	202,142
Materials and Supplies	219,430			219,430	31,654	251,084
Claim Expense		1,425,967		1,425,967		1,425,967
Other Operating Expenses	464,398		21,127	485,525	74,379	559,904
Depreciation	139,307			139,307	19,056	158,363
Capital Outlay					26,159	26,159
Total Operating Expenses	<u>3,283,260</u>	<u>1,425,967</u>	<u>21,127</u>	<u>4,730,354</u>	<u>344,157</u>	<u>5,074,511</u>
Operating Income (Loss)	<u>21,854</u>	<u>30,961</u>	<u>(7,784)</u>	<u>45,031</u>	<u>66,307</u>	<u>111,338</u>
Non-Operating Revenue/(Expenses):						
Sale of Fixed Assets	3,714			3,714		3,714
Interest Income					2,181	2,181
Rental Income	13,776			13,776		13,776
Tap - In Fees	1,025			1,025		1,025
Interest and Fiscal Charges	(2,250)			(2,250)	(12,252)	(14,502)
Other Non-Operating Expenses						
Other Non-Operating Revenues	<u>10,778</u>			<u>10,778</u>		<u>10,778</u>
Total Non-Operating Revenue / (Expenses)	<u>27,043</u>			<u>27,043</u>	<u>(10,071)</u>	<u>16,972</u>
Income (Loss) Before Operating Transfers	48,897	30,961	(7,784)	72,074	56,236	128,310
Operating Transfers - In	100,000			100,000		100,000
Operating Transfers - Out	<u>(19,317)</u>			<u>(19,317)</u>		<u>(19,317)</u>
Net Income (Loss)	129,580	30,961	(7,784)	152,757	56,236	208,993
Fund Equity at Beginning of Year (Restated Note 3)	<u>1,029,058</u>	<u>(410,395)</u>	<u>258,545</u>	<u>877,208</u>	<u>611,070</u>	<u>1,488,278</u>
Fund Equity at End of Year	<u>\$1,158,638</u>	<u>(\$379,434)</u>	<u>\$250,761</u>	<u>\$1,029,965</u>	<u>\$667,306</u>	<u>\$1,697,271</u>

See accompanying notes to the general purpose financial statements.

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HARDIN COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND EQUITY - BUDGET AND ACTUAL (BUDGET BASIS)
ALL PROPRIETARY FUNDS AND NONEXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		
	Enterprise Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Charges for Services	\$3,215,000	\$3,259,209	\$44,209
Special Assessments	28,500	28,208	(292)
Interest Income			
Other Revenues			
Other Operating Revenues			
Total Revenue	<u>3,243,500</u>	<u>3,287,417</u>	<u>43,917</u>
Expenses:			
Current:			
Personal Services	1,747,059	1,730,138	16,921
Contractual Services	133,362	124,454	8,908
Materials and Supplies	286,965	247,437	39,528
Fringe Benefits	572,291	559,853	12,438
Claims and Judgements			
Other Operating Expenses	515,703	513,343	2,360
Capital Outlay	22,500	45,497	(22,997)
Debt Service:			
Interest and Fiscal Charges	<u>2,250</u>	<u>2,250</u>	
Total Expenses	<u>3,280,130</u>	<u>3,222,972</u>	<u>57,158</u>
Operating Income (Loss)	(36,630)	64,445	101,075
Non-Operating Revenues (Expenses):			
Other Non-Operating Revenue	3,500	10,778	7,278
Rental Income	14,400	13,776	(624)
Sale of Fixed Assets		4,753	4,753
Advances - In		5,100	5,100
Advance Out		(20,000)	(20,000)
Total Non-Operating Revenues (Expenses)	<u>17,900</u>	<u>14,407</u>	<u>(3,493)</u>
Income (Loss) Before Operating Transfers	(18,730)	78,852	97,582
Operating Transfers In	103,600	100,000	(3,600)
Operating Transfers Out	<u>(19,360)</u>	<u>(19,317)</u>	<u>43</u>
Net Income (Loss)	65,510	159,535	94,025
Fund Equity at Beginning of Year (Restated Note 3)	272,071	272,071	
Prior Year Encumbrances Appropriated	<u>71,404</u>	<u>71,404</u>	
Fund Equity at End of Year	<u>\$408,985</u>	<u>\$503,010</u>	<u>\$94,025</u>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types			Fidiciary Fund Type		
Internal Service Fund			Non-Expendable Trust		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$1,600,000	\$1,354,426	(\$245,574)			
			12,500	11,737	(763)
100,000	43,994	(56,006)	1,400	1,625	225
1,700,000	1,398,420	(301,580)	13,900	13,362	(538)
1,735,000	1,454,253	280,747			
			33,000	21,127	11,873
<u>1,735,000</u>	<u>1,454,253</u>	<u>280,747</u>	<u>33,000</u>	<u>21,127</u>	<u>11,873</u>
(35,000)	(55,833)	(20,833)	(19,100)	(7,765)	11,335
(65,000)	(65,000)				
(65,000)	(65,000)				
(100,000)	(120,833)	(20,833)	(19,100)	(7,765)	11,335
(100,000)	(120,833)	(20,833)	(19,100)	(7,765)	11,335
158,174	158,174		258,181	258,181	
<u>\$58,174</u>	<u>\$37,341</u>	<u>(\$20,833)</u>	<u>\$239,081</u>	<u>\$250,416</u>	<u>\$11,335</u>

HARDIN COUNTY

COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUNDS, NONEXPENDABLE TRUST FUNDS, AND DISCRETELY
 PRESENTED COMPONENT UNITS
 FOR THE YEAR ENDED DECEMBER 31, 2001

	Proprietary Fund Types		Fiduciary	Total Primary Government (Memorandum Only)	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
	Internal		Fund Type			
	Enterprise Funds	Service Funds	Nonexpendable Trust			
Cash Flows from Operating Activities:						
Cash Received for Services	\$3,286,393	\$1,398,420	\$13,362	\$4,698,175	\$406,824	\$5,104,999
Cash Received for Deposits					1,075	1,075
Cash Paid To Employees	(1,729,388)			(1,729,388)	(133,362)	(1,862,751)
Cash Paid for Medical Claims		(1,454,253)		(1,454,253)		(1,454,253)
Cash Paid for Goods and Services	(1,370,523)		(21,127)	(1,391,650)	(201,690)	(1,593,340)
Net Cash Provided by Operating Activities	186,482	(55,833)	(7,765)	122,884	72,846	195,730
Cash Flows from Investing Activities:						
Interest on Investments					2,181	2,181
Proceed from sale of assets	4,753			4,753		4,753
Purchase of Fixed Assets	(43,997)			(43,997)	(108,676)	(152,673)
Net Cash Provided from Investing Activities	(39,244)			(39,244)	(106,495)	(145,739)
Cash Flows from Financing Activities:						
Principal Payments - OWDA						
Interest Paid	(2,250)			(2,250)	(12,252)	(14,502)
Received on Mortgage Loans					23,500	23,500
Received on Notes						
Paid on Mortgage Loans					(14,686)	(14,686)
Other Non-operating Revenues	10,778			10,778		10,778
Net Cash Provided by Financing Activities	8,528			8,528	(3,438)	5,090
Cash Flows from Noncapital Financing Activities:						
Tap - In Fees	1,025			1,025		1,025
Rental ncome	13,776			13,776		13,776
Advance In	5,100			5,100		5,100
Advance Out	(20,000)			(20,000)		(20,000)
Operating Transfer - In	100,000			100,000		100,000
Operating Transfer - Out	(19,317)	(65,000)		(84,317)		(84,317)
Net Cash Provided by Noncapital Financing Activities	80,584	(65,000)		15,584		15,584
Net Increase (Decrease) in Cash	236,350	(120,833)	(7,765)	107,752	(37,087)	70,665
Cash, Beginning of Year	343,475	158,174	258,181	759,830	120,247	880,077
Cash, End of Year	579,825	37,341	250,416	867,582	83,160	1,201,158

	Proprietary Fund Types		Fiduciary	Total Primary Government (Memorandum Only)	Discretely Presented Component Units	Total Reporting Entity (Memorandum Only)
	Enterprise Funds	Internal	Nonexpendable			
		Service Funds	Trust			
Reconciliation of Net Income to Net Cash Provided by Operating Activities:						
Operating Income	21,854	30,961	(7,784)	45,031	66,307	111,338
Adjustments to Reconcile Net Income to Net Cash from Operating Activities:						
Depreciation Expense	139,307			139,307	19,056	158,363
Net (Increase) Decrease in Tax Receivable			19	19		19
Net (Increase) Decrease in Accounts Receivable	(7,160)	(58,508)		(65,668)	(3,640)	(69,308)
(Increase) Decrease in Special Assessment Receivable	1,612			1,612		1,612
(Increase) Decrease in Inventories					(5,899)	(5,899)
(Increase) Decrease in Prepaid Items	239			239		239
(Increase) Decrease in Due to Other Funds						
Increase (Decrease) in Contracts Payable						
Increase (Decrease) in Accounts Payable	12,522			12,522	(1,425)	11,097
Increase (Decrease) in Accrued Wages and Benefits	10,712			10,712	(681)	10,031
Increase (Decrease) in Compensated Absences Payable	2,641			2,641	1	2,642
Increase (Decrease) in Payroll Withholding					(1,948)	(1,948)
Increase (Decrease) in Claims Payable		(176,412)		(176,412)		(176,412)
Increase (Decrease) in Incurred But Not Reported Claims		148,126		148,126		148,126
Increase (Decrease) in Due to Other Governments	6,367			6,367		6,367
Increase (Decrease) in Deferred Revenue	(1,612)			(1,612)		(1,612)
Increase (Decrease) in Deposits and Held for Others					1,075	1,075
Purchased of Fixed Assets through Accounts Payable						
Total Adjustments	164,628	(86,794)	19	77,853	6,539	84,392
Net Cash Provided by Operating Activities	<u>\$186,482</u>	<u>(\$55,833)</u>	<u>(\$7,765)</u>	<u>\$122,884</u>	<u>\$72,846</u>	<u>\$195,730</u>

Reconciliation of Nonexpendable Trust to Combined Balance Sheet	
Per Balance Sheet:	\$2,833,438
Less: Agency Funds	(2,162,234)
Expendable Trust	<u>(420,788)</u>
	<u>\$250,416</u>

See accompanying notes to the general purpose financial statements.

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HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001

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, ditch and bridge maintenance and construction, maintenance and construction of roads, waste disposal transfer services and mental retardation and developmental disabilities educational services.

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The general purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and component units for which Hardin County and the County Commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

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

A. Discretely Presented Component Units

Component Units are reported separately on the financial statements to emphasize that they are legally separate from the County. Hardin County component units are all proprietary fund types and consist of the combined activity and balances of HARCO Industries, Inc., Hardin County Housing Development, Inc., and the Hardin County Airport Authority.

HARCO Industries, Inc.

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

Complete financial statements for Harco Industries, Inc. may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

HARCO Industries, Inc. has a fiscal year end of June 30, 2001, however the annualized amounts would not be significantly different from calendar year amounts.

Hardin County Housing Development, Inc.

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

Complete financial statements for HCHD may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

Hardin County Airport Authority

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

Complete financial statements for the Hardin County Airport Authority may be obtained from the administrative offices located 13975 Township Road 135 Kenton, Ohio 43326.

B. Jointly Governed Organizations

West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of government. West CON is comprised of the boards of Mental Retardation and Developmental Disabilities (MRDD) of several counties, including, Auglaize, Darke, Logan, Mercer, Miami, Shelby, Union, and Hardin. The Board of Directors is made up of the Superintendents from each of these MRDD Boards, and the degree of control exercised by any participating government is limited to its representation on the Board. West CON is the administrator and fiscal agent of Supported Living funds for each of these Boards of Mental Retardation and Developmental Disabilities.

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Hardin Regional Planning Commission

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

The Commission makes studies, maps, plans, recommendations and reports concerning the physical, environmental, social, economic, and governmental characteristics, functions, and services of the County. Each participating government may be required to contribute an assessment per capita, according to the latest federal census, in any calendar year in which the revenue is needed.

Family and Children First Council

The Family and Children First Council provides services to multi-need youth in Hardin County. Members of the council include the Hardin County Board of Mental Retardation, Mental Health Board, Hardin County Child Support Enforcement Agency, Mental Health and Recovery Services Board, Head Start, Kenton-Hardin County Board of Health, Kenton City Schools, Hardin County Human Services, Hardin County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee which consists of a representative from each agency. Funding comes mainly from the State of Ohio.

C. Joint Ventures:

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.

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.

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

During 2001, tax revenues generated by the levy in Hardin County were \$153,765, which represents two percent of the total revenue. Complete financial statements can be obtained from the MHRS Board, 1541 Allentown Road, Suite B, Lima, Ohio 45805.

Marion Hardin Correctional Center

The Marion Hardin Correctional Center, is a jointly established non-profit corporation whose general-purpose is to allow for the humane and constitutional detention of persons who cannot be released to less restrictive alternatives. Institutional programming will provide opportunities for rehabilitation for inmates while meeting all relevant correction standards, including the Minimum Standards for Jails, in Ohio; Full Service Facilities.

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

The Marion Hardin County Jail Commission is a joint venture between Marion and Hardin Counties. The agreement to form the Commission does not include a provision to allow the Commission to issue debt. The Commission has not accumulated significant financial resources, nor is the commission experiencing fiscal stress that may cause additional financial benefit or burden on the County in the future. Financial information can be obtained from the Marion County Auditor, Michele Pearson, 100 North Main Street, Marion, Ohio 43302.

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.

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.

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

The federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1 to June 30. From January to June 2001, Hardin County WIA program operated as part of a multi-county WDA in conjunction with Auglaize and Mercer Counties, of which Mercer County was the fiscal agent. Effective July 1, 2001 through June 30, 2002, Hardin County independently administered their WIA program. Effective July 1, 2002, Hardin County will again participate in a multi-county WDA with Auglaize and Mercer Counties.

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.

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.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(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. Excluded Potential Component Units

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

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

Hardin County General Health District

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

Soil and Water Conservation District

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

Other Districts

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation - Fund Accounting

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

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

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

1. Governmental Funds:

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

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

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

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

2. Proprietary Funds:

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

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds:

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

4. Account Groups:

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

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

5. Component Units:

Component Units - Component units are either legally separate organizations for which the elected officials of the County are financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would cause the County's financial statement to be misleading or incomplete.

B. Measurement Focus and Basis of Accounting

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

All proprietary and similar fiduciary fund types are accounted for using a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements of these funds present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental and similar fiduciary fund types and agency funds. The full accrual basis of accounting is followed for the proprietary and similar fiduciary fund types.

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the modified accrual basis when the exchange takes place and the resources are available. Available means the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from income taxes is recognized in the period in which the income is earned. Revenue from grants, entitlements, and donations is recognized on the modified accrual basis in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the County must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the County on a reimbursement basis.

Under the modified accrual basis, the following revenue sources are considered both measurable and available at fiscal year end: property taxes available as an advance, grants, interest, tuition, and student fees.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Delinquent property taxes and property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met and receivables that are not collected within the available period are also recorded as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

Component Units

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Budgetary Data

Outlined below are the procedures followed by the County to establish the annual operating budget and budgetary data reported in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual (Budget Basis) All Governmental Fund Types and Expendable Trust Funds and the Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) All Proprietary Funds and Nonexpendable Trust Funds:

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the Fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. The County is accorded discretion in its method of appropriating federal funds. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation levels 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 2001 and were considered routine.
7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund balance for subsequent year expenditures on the modified accrual basis of accounting, compared to encumbrances outstanding at year-end reported as expenditures on the budget basis of accounting.

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Cash and Investments

To improve cash management, most cash received by the County is pooled. Monies for most funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Cash and Cash Equivalents" on the combined balance sheet. The Clark Bailey, Chase Stewart, and Helen Howard Nonexpendable Trust Funds, the Annex Lease Debt Service Fund, and the Revolving Loan Special Revenue Fund, and the Ada Howard Expendable Trust Fund each has their own bank account and are not part of the cash and investment pool. These accounts receive the interest earned on their respective account balances.

During the year 2001, investments were limited to STAR Ohio, repurchase agreements, certificates of deposit, treasury notes, federal agency securities, and commercial paper. At December 31, 2001, investments were limited to STAR Ohio and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2001. STAR Ohio is an investment pool management by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price at which the investment could be sold at December 31, 2001.

With the exception of the investments in the investment pool for Pike Repair Special Revenue Fund and the following separate investments for Revolving Loan Special Revenue Funds, the Ada Howard and Louella Nuebert Expendable Trust Funds, the Helen Howard, Clark Bailey and the Chase Stewart Nonexpendable Trust Funds, all interest on investments held by the Treasurer is credited to the County General Fund. Interest income earned in 2001 by the General Fund, Pike Repair and Revolving Loan Special Revenue Funds, Annex Lease Debt Service Fund, Ada Howard and Louella Nuebert Expendable Trust Funds, and the Helen Howard, Clark Bailey and the Chase Stewart Nonexpendable Trust Funds totaled \$644,865, \$32,829, \$3,724, \$9,713 and \$11,718, respectively.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months which are not part of the investment pool are reported as investments.

F. Health Care

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Inventories of Materials and Supplies

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

H. Property, Plant, Equipment, and Depreciation

The fixed asset values were initially determined at December 31, 1996, assigning original acquisition costs when such information was available. In cases where information supporting original cost was not available, estimated historical costs were developed. Donated fixed assets are recorded at their fair market values as of the date donated. The cost of interest on debt issued for construction in progress is not capitalized.

1. General Fixed Assets Account Group

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

2. Enterprise Funds

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

<u>Description</u>	<u>Estimated Life</u>
Autos and trucks	5-10
Machinery, equipment, furniture and fixtures	5-15
Building improvements	10
Sewer and water treatment plants and buildings	50
Other buildings	40
Sewer and water mains	50

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

I. Compensated Absences

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

J. Intergovernmental Revenues

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

The County's Department of Human Services (Welfare) distributes federal food stamps to entitled recipients with Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the Department of Human Services merely acts in an intermediary capacity. Therefore, the inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's Department of Human Services distributed approximately \$1,020,435 of federal food stamps during 2001.

K. Long-Term Obligations

Long-term obligations for compensated absences payable for vested sick and vacation leave, due to other governments, postclosure care payable, loans payable, special assessment debt with governmental commitment, general obligation bonds, and obligation for containment wall, and any other claims that are expected to be paid from the governmental funds are shown in the General Long-Term Obligations Account Group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

L. Interfund Transactions

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers. During 2001, transfers in and out do not balance since there are transfers to agency funds.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expense in the reimbursed fund.
3. Short-term interfund loans, and accrued interfund reimbursements, are reflected as interfund receivables and payables.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheets for those fund groups that report advances to other funds as assets because they are not spendable, available resources.

An analysis of interfund transactions is presented in Note 8.

M. Fund Balance Reserves

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

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

N. Prepaid Items

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Statement of Cash Flows

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

P. Financial Reporting For Proprietary and Similar Fund Types

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

Q. Estimates

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

R. Self-Funded Insurance

The County is self-funded for health benefits. Each County fund is charged for its proportionate share of the cost for covered employees. Payment of these benefits is accounted for in an internal service fund. The County records a liability for incurred but unreported claims at year end based upon an estimate prepared by the Anthem Benefits Administrators, Inc. using claims made during the year.

S. Total Columns on Financial Statements

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

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2001 (Continued)

3. RESTATEMENT NOTE

The Component Units beginning balance previously reported was \$507,070 and has been restated in the amount of \$104,000 to \$611,070. The Hardin County Housing Development, Inc. December 31, 2000 financial statements did not recognize a grant from Union County. Grant proceeds were used to purchase a home directly from an agent and were not reported or recorded on the financial statements. The current financial statements properly reflect the assets and increase in fund balance.

The beginning budgeted and actual fund balances of the Nonexpendable Trust Funds have been restated on the Combined Statement of Revenues, Expenses, and Changes in Fund Equity – Budget and Actual (Budget Basis) for All Proprietary Funds and Nonexpendable Trust Funds due to an input error in 2000.

4. ACCOUNTABILITY

The Self Insurance Internal Service Fund had negative retained earnings at December 31, 2001 as a result of applying generally accepted accounting principals. Cash will be paid into this fund as needed, rather than when accruals occur.

5. CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2001, the County has implemented GASB Statement Number 33, "*Accounting and Financial Reporting for Nonexchange Transactions*", and GASB Statement No. 36, "*Recipient Reporting for Certain Shared Nonexchange Revenues*". The implementation of GASB Statements No. 33 and 36 did not result in any prior period balance adjustments.

6. CASH AND CASH EQUIVALENTS, CASH AND CASH EQUIVALENTS IN SEGREGATED ACCOUNTS, AND INVESTMENTS

A. Primary Government

The County maintains a cash and investment pool used by most funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents." As discussed in Note 2E, some Special Revenue, Debt Service, and Expendable and Nonexpendable Trust Funds maintain cash or investments in separate bank accounts.

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

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

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

**6. CASH AND CASH EQUIVALENTS, CASH AND CASH EQUIVALENTS IN SEGREGATED
ACOUNTSCASH, AND INVESTMENTS (Continued)**

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bond and other obligations of the State of Ohio or its political 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

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

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

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

6. CASH AND CASH EQUIVALENTS, CASH AND CASH EQUIVALENTS IN SEGREGATED ACCOUNTS, AND INVESTMENTS (Continued)

Cash on Hand - At year end, the County had \$3,500 in undeposited cash on hand which is included on the balance sheet of the County as part of "Cash and Cash Equivalents."

Deposits - At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1, was \$8,789,775 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was \$9,297,258. Of the bank balance, \$547,227 was covered by federal depository insurance; and the balance was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board. Although the collateral was held by the pledging financial institutions' trust department in the County's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the County to a successful claim by the FDIC.

The pledging banks have investment and securities pools used to collateralize all public deposits. These pools are required to have a market value at December 31, 2001, in excess of 105 percent of the public funds on deposit in each pledging bank. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

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

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

Category 1 includes investments that are insured or registered or for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the County's name. Investments in STAR Ohio are unclassified since they are not evidenced by securities that exist in physical or book entry form.

As of December 31, 2001, the County's investments were as follows:

	Not Categorized	Carrying/ Fair Value
STAR Ohio	\$ 1,384,738	\$1,384,738

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

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

6. CASH AND CASH EQUIVALENTS, CASH AND CASH EQUIVALENTS IN SEGREGATED ACCOUNTS, AND INVESTMENTS (Continued)

	Cash and Cash Equivalents Deposits	Investments
GASB Statement 9	\$10,011,732	\$ 166,281
Long Term Certificates of Deposits	166,281	(166,281)
StarOhio	(1,384,738)	1,384,738
Cash on Hand	(3,500)	0
Per GASB 3	<u>\$8,789,775</u>	<u>\$1,384,738</u>

B. Component Units

At year end, the carrying amount of the component unit's deposits was \$83,160. The entire balance was covered by federal depository insurance. The component units did not have investments at year end. There are no statutory guidelines regarding the deposit and investment of funds by not-for-profit corporations, which include HARCO Industries, Inc. and Hardin County Housing Development, Inc.

7. RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accounts, special assessments, interest, due from other governments, and due from Agency funds taxes and special assessments, notes, interfund and advances. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and special assessments, and accounts, the stable condition of State programs, and the current year guarantee of Federal funds. Proprietary fund accounts receivable are collectible in full due to the Prosecuting Attorney's collection procedures.

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

8. INTERFUND RECEIVABLES AND PAYABLES

A summary of interfund transactions at December 31, 2001 consist of the following:

<u>Short Term:</u>	<u>Interfund</u>	<u>Due to</u>
	<u>Receivable</u>	<u>Other Funds</u>
General Fund	\$83,490	\$ -
Special Revenue:		
Landfill		75,000
Litter Control		<u>8,490</u>
Total Special Revenue	<u>\$ -</u>	<u>\$83,490</u>
<u>Long Term:</u>	<u>Advance To</u>	<u>Advance From</u>
General	\$285,100	
Enterprise:		
Reed Road Sanitary Sewer		3,600
Eldridge Estates Sanitary Sewer		1,500
Solid Waste Disposal		<u>80,000</u>
Total Enterprise Funds		<u>\$85,100</u>
Internal Service Fund		<u>200,000</u>
Totals	<u>\$285,100</u>	<u>\$285,100</u>

HARDIN COUNTY

NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)

9. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are currently 25% of true value. The assessed value upon which the 2001 taxes were collected was \$408,414,219.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2001, was \$9.95 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$9.95 per \$1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$7.70 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$8.57 per \$1,000 of assessed valuation for all other real property. Real property owner tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

Real Property - 2000 Valuation	
Residential	\$179,216,960
Agriculture	93,358,770
Commercial	33,740,720
Industrial	16,393,310
Public Utilities	548,880
Tangible Personal Property -2001 Valuation	
General	<u>60,550,049</u>
Public Utilities	<u>24,605,530</u>
Total Valuation	<u>\$408,414,219</u>

Real property taxes for tax year 2001 are payable annually or semi-annually. If paid annually, payment is due February 10, 2001. If paid semi-annually, the first payment is due February 10, 2001, and the remainder is payable by July 20, 2001. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

9. PROPERTY TAXES (Continued)

Taxes receivable represents delinquent taxes, and real and tangible personal property, and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end and for which there is an enforceable legal claim. Since the current levy is not intended to finance 2001 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2001 are shown as 2001 revenue; the remainder is shown as "Deferred Revenue".

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

10. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one percent tax on retail sales made in the County, except storage, use, or consumption in the County of tangible personal property, not subject to the sales tax. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County.

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

11. FIXED ASSETS

A summary of the General Fixed Assets Account Group fund property, plant, and equipment at December 31, 2001 follows:

	Balance January 1, <u>2001</u>	<u>Additions</u>	<u>Disposals</u>	Balance December 31, <u>2001</u>
Land	\$ 403,990	\$34,000	\$ -	\$437,990
Buildings	4,753,242	495,730	-	5,248,972
Land Improvements	15,077		-	15,077
Equipment	1,103,376	176,496	108,840	1,171,032
Furniture	381,210	4,502	3,081	382,631
Vehicles	<u>3,225,742</u>	<u>182,811</u>	<u>224,453</u>	<u>3,184,100</u>
Total Cost Value	\$9,882,637	\$893,539	\$336,374	\$10,439,802
Accumulated				
Depreciation	<u>4,385,311</u>	<u>741,938</u>	<u>336,374</u>	<u>4,790,875</u>
Total Book Value	<u>\$ 5,497,326</u>	<u>\$151,601</u>	<u>\$ -</u>	<u>\$5,648,927</u>

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

11. FIXED ASSET (Continued)

A summary of fixed assets in proprietary funds is as follows:

	<u>County Home</u>	<u>Sewer District</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
Land	\$ 39,534	\$ 5,530	\$ 2,633	\$ 47,697
Buildings	700,448	77,393	165,339	943,180
Land Improvements	-	692	-	692
Equipment	255,369	7,936	128,782	392,087
Furniture	140,766	-	2,057	142,823
Vehicles	82,090	-	364,369	446,459
Infrastructure	-	<u>123,900</u>	<u>-</u>	<u>123,900</u>
Total Cost Value	\$1,218,207	\$215,451	\$ 663,180	\$ 2,096,838
Accumulated Depreciation	<u>889,133</u>	<u>121,640</u>	<u>309,386</u>	<u>1,330,159</u>
Total Book Value	<u>\$ 329,074</u>	<u>\$93,811</u>	<u>\$353,794</u>	<u>\$ 776,679</u>

12. COMPENSATED ABSENCES

Governmental fund type employee's leave for sick, vacation, and personal, has been recorded in the General Long-Term Obligations Account Group, while overtime earned (compensatory leave) has been recorded as individual fund liabilities. Vacation, personal, sick leave, and overtime in the proprietary funds is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to 50% of their accumulated sick leave not to exceed 75 days, plus all accumulated vacation, personal and overtime. At December 31, 2001 vested benefits for governmental fund type, proprietary fund type and component units employees totaled \$156,519. The total liability for compensated absences for all governmental fund types, proprietary fund types, component units and General Long-Term Obligations Account Group is \$815,856.

13. LONG TERM DEBT AND OTHER OBLIGATIONS

The County's long-term debt and other obligations at year end consisted of general obligation bonds, special assessment bonds, Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) loans, compensated absences, due to other governments, obligation for the containment wall, and the post closure landfill obligation which are recorded in the General Long-Term Obligations Account Group. At the present time there is no long-term debt recorded as fund liabilities of the enterprise funds.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. LONG TERM DEBT AND OTHER OBLIGATIONS

A. The County's long term debt obligations for the year ended December 31, 2001, are summarized below:

	Debt Principal or other obligations outstanding January 1, 2001	Debt Principal or other obligations issued in 2001	Debt Principal or other obligations retired in 2001	Debt Principal or other obligations outstanding December 31, 2001
Compensated Absences	\$ 625,384	\$ 656,875	\$ 625,384	\$ 656,875
ODJS Payable (Due to Other Governments)		221,251		221,251
Post Closure Obligation	1,764,529	8,870	193,412	1,579,987
OWDA Landfill Closure Loan	756,938	0	108,889	648,049
OPWC Loan	66,121	0	7,347	58,774
General Obligation Bonds	1,580,000	0	60,000	1,520,000
Special Assessment Bonds with Government Commitment	113,673	23,900	30,397	107,176
Estimated Obligation for Containment Wall	340,000	560,000	0	900,000
Total Long Term Obligations	\$5,246,645	\$1,470,896	\$1,025,429	\$5,692,112

The general obligation bonds were used to construct the Hardin County Courthouse Annex. General Obligation Bonds are secured by the County's ability to levy a voted or unvoted property tax within limitations of Ohio Law.

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

The total maximum amount borrowed by the County under the OWDA Landfill Closure Loan was \$960,824. However the total loan proceeds from OWDA as of December 31, 2001 is \$ 891,616 and \$69,208 remains undisbursed. The loan is 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.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. LONG TERM DEBT AND OTHER OBLIGATIONS (Continued)

Periodically, 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 \$1,579,987 will be incurred over the remaining 19 years of the 30 year monitoring period. This obligation has been recorded in the General Long Term Debt Account group. Actual costs may differ due to inflation, changes in technology, or changes in regulations. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

During 2001, the County was overpaid by the Ohio Department of Job and Family Services in the amount of \$271,251. The current portion of \$50,000 was recognized in the Public Assistance Special Revenue Fund and the remaining long term portion of \$221,251 was recognized in the General Long Term Obligation Account Group. A proposed payment plan has been filed but not accepted at the report date.

During 2000 the County completed a bridge project which was financed in part with an OPWC loan to the County for \$73,468. The loan obligation is recorded in the General Long Term Obligations Account Group. The loan is scheduled for repayment over a twenty year period beginning July 2001.

The following is a description of the bonds that existed in 2001 and were outstanding as of December 31, 2001:

<u>Description</u>	<u>Issue Date</u>	<u>Interest Rate %</u>	<u>Original Amount</u>	<u>Paid Amount</u>	<u>Outstanding Amount</u>	<u>Maturity Date</u>
<u>Long-Term Debt:</u>						
County Courthouse Annex						
General Obligation Bonds	12-91	varies	\$1,960,000	\$440,000	\$1,520,000	12-2016
<u>Special Assessment Bonds:</u>						
Dawson Ditch	01	4.45%	5,300	-	5,300	2006
Beaver Pond Ditch	01	4.86%	11,000	-	11,000	2006
Frisch Ditch	01	4.45%	7,600	-	7,600	2006
Conner Jt Ditch	98	5.14%	10,200	5,800	4,400	2003
Stutzman Ditch	98	5.12%	5,000	2,824	2,176	2003
Noe Ditch	98	5.14%	1,400	800	600	2003
Hess Ditch	98	6.00%	1,900	1,500	400	2002
Hughes Ditch	98	6.00%	1,500	1,200	300	2002
Trent Ditch	98	4.97%	2,000	1,200	800	2003
Lautenschlager Ditch	98	4.97%	17,000	10,200	6,800	2003
Lease Ditch	99	5.00%	68,000	27,200	40,800	2004
Bloom Ditch	00	5.60%	<u>48,000</u>	<u>21,000</u>	<u>27,000</u>	2004
Total Special Assessment			<u>\$178,900</u>	<u>\$71,724</u>	<u>\$107,176</u>	
Total Bond Debt			<u>\$2,138,900</u>	<u>\$511,724</u>	<u>\$1,627,176</u>	
OWDA Loan	7-97	4.56%	\$891,616	\$243,567	\$648,049	1-2015
OPWC Loan	7-99	0.00%	\$73,468	\$14,694	\$58,774	2009

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

13. LONG TERM DEBT AND OTHER OBLIGATIONS

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

	General Obligation Bonds Governmental Purposes	Special Assessment Bonds Government Commitment	OWDA Loan Landfill Closure	OPWC Loan Total	Totals
2002	165,294	41,899	73,741	7,347	279,354
2003	161,394	38,206	73,741	7,347	271,760
2004	162,088	28,911	73,741	7,347	263,160
2005	162,450	4,917	73,741	7,347	239,528
2006	162,481	4,708	73,741	7,347	239,350
2007-2011	810,950	-	324,070	22,040	1,157,060
2012-2016	<u>821,113</u>	<u>-</u>	<u>226,848</u>	<u>-</u>	<u>1,047,961</u>
Total	2,445,769	118,642	874,988	58,774	3,498,173
Less Interest	<u>925,769</u>	<u>11,466</u>	<u>226,939</u>	<u>-</u>	<u>1,164,173</u>
Principal	<u>\$1,520,000</u>	<u>\$107,176</u>	<u>\$648,049</u>	<u>\$58,774</u>	<u>\$2,334,000</u>

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

The effects of the debt limitations described above at December 31, 2001 are an overall debt margin of \$7,250,840 and an unvoted debt margin of \$1,459,640.

Component Unit Debt - Hardin County Housing Development, Inc. which provides housing for the mentally retarded and developmentally disabled citizens had mortgage loans in the amount of \$151,739 at December 31, 2001. The loans are secured by the rental properties purchased. The Hardin County Mental Retardation and Developmental Disabilities Board of Directors have also signed second mortgages for the rental properties.

Operating Leases

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

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

14. PENSION OBLIGATIONS

A. Public Employees Retirement System (PERS)

All Hardin County full time employees, other than teachers, participate in the Public Employees Retirement System of Ohio (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. Public Employees Retirement System issues a stand-alone financial report. Interested parties may obtain a copy by making a written request to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-PERS (7377).

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rates are 8.5% for employees other than law enforcement. Law enforcement employees contribute 9.0% of covered salary. The 2001 employer contribution rate for local government employer units, the rates was 13.55% of covered payroll. For law enforcement, the employer rate was 16.70% of covered payroll.

The County's contributions for pensions obligations to PERS for the years ended December 31, 2001, 2000 and 1999 were \$1,071,547, \$1,024,115, and \$1,044,765, respectively; 72.74% has been contributed for 2001 and 100% for 2000 and 1999. \$330,135, representing the unpaid contribution for 2001, is recorded as a liability within the respective funds.

B. State Teachers Retirement System (STRS)

The County contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771 or by calling (740) 227-4090.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations for fiscal year 2001. For fiscal year 2000, 6 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's required contribution for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000, and 1999, were \$42,229, \$37,115, and \$ 35,830, respectively; 96 percent has been contributed for 2001 and 100 percent for 2000 and 1999. The unpaid contribution for 2001, in the amount of \$1,573, is recorded as a liability within the respective funds.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

15. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Public Employees Retirement System (PERS):

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

The Ohio Revised Code provides statutory authority for employer contributions. For local government employer units the rate was 13.55% of covered payroll; 4.30% was the portion that was used to fund health care for the year. The law enforcement employer rate was 16.70% and 4.30% was used to fund health care for the year.

For 2001, benefits were funded on an advance-funded actuarially determined basis. OPEB are financed through employer contributions and investment earnings. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions, are expected to be sufficient to sustain the program indefinitely. As of December 31, 2000, the unaudited estimated net assets available for future OPEB payments were \$11,735.9 million. At December 31, 2000 the total number of active contributing participants eligible for OPEB through PERS was 411,076.

B. State Teachers Retirement System (STRS):

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2001, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was \$3.419 million at June 30, 2000. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

16. BUDGETARY BASIS OF ACCOUNTING

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

- a) Revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP).
- b) Expenditures/expenses are recorded when paid (budget) as opposed to when incurred (GAAP).
- c) Encumbrances as expenditures on the budgetary basis of accounting.
- d) Short-term note proceeds and note principal retirement for governmental funds and all debt principal retirement are operating transactions (budget) as opposed to balance sheet transactions (GAAP).
- e) State statute requires short-term note debt to be repaid from the debt service fund (budget) as opposed to the fund that received the proceeds (GAAP). Debt service fund resources used to pay both principal and interest have been allocated accordingly.
- f) Although not part of the appropriated budget, the component units are included as part of the reporting entity when preparing financial statements that conform with GAAP.

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$118,009	(\$329,607)	(\$76,776)	(\$144,813)	(\$76,996)
Net Adjustments Revenue & Other Sources	(311,693)	(555,009)	37,700	0	0
Net Adjustment for Expenditures	60,191	801,061	0	(37,700)	(52)
Encumbrances	73,063	0	0	0	28,400
GAAP Basis	(\$60,430)	(\$83,555)	(\$39,076)	(\$182,513)	(\$48,648)

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001**

(Continued)

16. BUDGETARY BASIS OF ACCOUNTING (Continued)

**NET INCOME/LOSS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUNDS**

	Enterprise	Internal Service	Nonexpendable Trust
Budget Basis	\$159,535	\$(120,833)	\$(7,765)
Net Adjustments for Revenue Accruals	12,583	58,508	(19)
Net Adjustment for Expenditures	(119,353)	93,286	0
Encumbrances	76,815	0	0
GAAP Basis	\$129,580	\$30,961	\$(7,784)

17. SEGMENT INFORMATION - ENTERPRISE FUNDS

The County operates Enterprise Funds which provide shelter and nursing services for the elderly at the County Home, disposal and treatment of sewage, and waste disposal. The key financial information for the year ended December 31, 2001 for the individual enterprise funds is as follows:

	County Home	Sewer District	Solid Waste Disposal	Total
Operating Revenues	\$2,707,289	\$27,490	\$570,335	\$3,305,114
Operating Expenses	2,580,822	51,759	650,679	3,283,260
Depreciation	94,999	5,915	38,393	139,307
Operating Income/(Loss)	126,468	(24,269)	(80,345)	21,854
Transfers-In	-	-	100,000	100,000
Transfers-Out	-	(19,317)	-	(19,317)
Net Income (Loss)	155,775	(42,561)	16,366	129,580
Fixed Assets	329,074	93,811	353,794	776,679
Fixed Asset Additions	31,893	-	28,726	60,619
Total Assets	1,055,546	92,717	432,061	1,580,324
Net Cash Flow	258,716	(32,337)	9,971	236,350
Net Working Capital	468,468	(8,719)	7,310	467,059
Total Equity	797,542	79,992	281,104	1,158,638

18. INDIVIDUAL COMPONENT UNIT DISCLOSURE

Condensed Balance Sheet				
	Airport Authority	Housing Development, Inc.	Harco Industries, Inc.	Totals
Current Assets	\$48,475	\$21,026	\$41,452	\$110,953
Property, Plant, & Equip	25,250	694,128	-	719,378
Current Liabilities	-	3,202	8,084	11,286
Mortgages Payable	-	151,739	-	151,739

HARDIN COUNTY

**NOTES TO THE GENERAL-PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

18. INDIVIDUAL COMPONENT UNIT DISCLOSURE (Continued)

Condensed Statement of Revenues, Expenses, and Changes in Fund Equity				
	Airport Authority	Housing Development, Inc.	Harco Industries, Inc.	Totals
Operating Revenues	\$138,662	\$138,494	\$133,308	\$410,464
Operating Expenses	144,518	45,820	153,819	344,157
Operating Income Income/(Loss)	<u>\$(5,856)</u>	<u>\$ 92,674</u>	<u>\$(20,511)</u>	<u>\$66,307</u>

Non-Cash Activity - Harco Industries, Inc. received contributions in-kind from the Mental Retardation and Development Disabilities Board (MRDD) as described below in Note 20 in the amount of \$12,838. This amount is included in operating income and expense above.

19. RISK MANAGEMENT

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

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

General Liability	\$1,000,000
Excess Liability Coverage	1,000,000
Law Enforcement Professional Liability	3,000,000
Public Officials Liability	1,000,000
Automobile Liability	3,000,000
Errors and Omissions	3,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	34,787,709
Other Property Insurance:	
Extra Expense	500,000
Building and Business Interruption Coverage	500,000

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

The County has elected to provide medical benefits through a self insured program for those employees who choose it. The maintenance of these benefits is accounted for in the County Employees Benefit Insurance Internal Service Fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of \$30,000 per individual. Incurred but not reported (IBNR) claims of \$128,787 have been accrued as a liability based on an estimate provided from Anthem Benefit Administrators, Inc. and is included in Claims Payable. This portion of the liability has not been calculated or reported in prior year financial statements.

19. RISK MANAGEMENT (Continued)

The IBNR claims liability of \$148,126 reported in the internal service fund at December 31, 2001 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. Changes in funds' claims liability amounts for 2001 were:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2001	\$305,199	\$1,277,843	\$1,454,253	\$128,789
2000	229,361	1,119,102	1,043,264	305,199

20. RELATED PARTY TRANSACTIONS

During 2001, Hardin County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported \$12,838 for such contributions. HARCO Industries, Inc. recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the vocational purpose of the workshop.

21. CONTINGENT LIABILITIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2001.

B. Litigation

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

22. SUBSEQUENT EVENTS

There is a pending matter concerning a levy for the support of a general hospital within the County. Hardin Memorial Hospital Company has decided by Board action that it does not want to receive the proceeds of a levy. There is an issue concerning the true ownership of Hardin Memorial Hospital and there is also the issue concerning the active nature of the levy when the current operating entity has indicated that it does not want the proceeds of the levy, which was passed. The levy has been collected for the first half of 2001, the amount collected was \$834,307.07, and this amount after fees was \$810,587.36. The rollback was \$93,055.22. The County Auditor's Office anticipates that the second half tax will be slightly lower. A decision will have to be made by September 1, 2002 as to whether or not if the levy is going to continue to be collected. Another issue is whether or not the Commissioners are going to determine if this is a terminated activity, but this is unlikely, in that it is very clear that Hardin County needs a hospital. In the meantime, the proceeds of the levy which have been collected will remain in a special fund.

HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2001

<u>Federal Grantor/ Pass Through Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Disbursements</u>	<u>Non-Cash Disbursements</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
<i>(Passed through Ohio Department of Development)</i>			
Community Development Block Grant (Entitlement Grant)	14.228	\$123,525	
Home Improvement Partnership Program (HOME)	14.239	<u>15,192</u>	
Total United States Department of Housing and Urban Development		138,717	
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>(Passed through Office of Criminal Justice)</i>			
Hardin County Juvenile Court CORE Program	16.579	12,664	
		<u>30,553</u>	
Total CORE Program		43,217	
Alternative School	16.540	<u>6,341</u>	
Total United States Department of Justice		49,558	
<u>U.S. DEPARTMENT OF LABOR</u>			
<i>(Passed through Ohio Department of Job and Family Services)</i>			
Workforce Investment Act - Carryover	17.255	70,323	
Workforce Investment Act	17.255	<u>84,662</u>	
Total Workforce Investment Act		<u>154,985</u>	
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>(Passed through Ohio Department of Education)</i>			
Special Education Cluster:			
Education Handicapped - Pre-School VI-B	84.173	10,929	
Title VI-B, Special Education Grants to States	84.027	25,824	
Title VI-B, Early Childhood	84.027A	<u>4,129</u>	
Total Special Education Cluster:		<u>40,882</u>	
Total United States Department of Education		40,882	
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>(Passed through Ohio Department of Education)</i>			
Nutrition Cluster:			
School Lunch Program	10.555	907	
Food Distribution	10.550		<u>1,575</u>
Total U.S. Department of Agriculture		907	1,575
<u>U.S. DEPARTMENT OF HUMAN SERVICES</u>			
<i>(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)</i>			
Social Services Block Grant - Title XX	93.667	21,048	
Medical Assistance Programs - Title XIX CAFS	93.778	171,484	
<i>(Passed through Ohio Department of Job and Family Services)</i>			
Promoting Safe and Stable Families	93.556	9,600	
Chafee Foster Care	93.674	<u>2,081</u>	
Total U.S. Department of Human Services		<u>204,213</u>	
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$589,262</u>	<u>\$1,575</u>

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

HARDIN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

The accompanying Schedule of Federal Awards Expenditures has been prepared on a basis of cash receipts and disbursements, consequently, revenues are recognized when received rather than when earned, and expenditures are recognized when paid rather than when the obligation is incurred.

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

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

These loans are collateralized by mortgages on the properties. The following represents the activity of the revolving loans, the amount of loans outstanding and the cash balance available for loan at December 31, 2001.

Small Business Revolving Loans	Loans Receivable	Cash Balances
Beginning Balance	347,451	360,981
Loan Principal Repayments /Cash Receipts	(91,343)	116,638
Loan and Grant Disbursements	84,913	(182,764)
Ending Balances	341,021	294,855

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

HARDIN COUNTY

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001
(Continued)**

NOTE 4 - OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

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

Program	CFDA Number
Food Stamps	10.551
Social Services Block Grant	93.667
Child Support Enforcement	93.563
Foster Care	93.568
Adoption Assistance	93.659
Medical Assistance Program	93.778

These programs are subject to audit at the state level, and accordingly are not presented in the Schedule of Federal Awards Expenditures.

NOTE 5 - WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2001, this activity was prepared and reported on a cash basis.



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

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

To the Board of County Commissioners:

We have audited the financial statements of Hardin County (the "County") as of and for the year ended December 31, 2001, and have issued our report thereon dated June 27, 2002, wherein we noted that the County adopted Governmental Accounting Statement No. 33, *Accounting and Financial Reporting for Non Exchange Transactions* and Governmental Accounting Statement No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. We did not audit the financial statements of the component units, Harco Industries, Inc. which represents 5 percent and 32 percent respectively, and Hardin County Housing Development, Inc. which represents 86 percent and 34 percent, respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, Harco Industries, Inc. and Hardin County Housing Development, Inc. is based on the report 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. The financial statements of the component unit Harco Industries, Inc., were audited by the other auditors in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to that component unit.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Governmental Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 27, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-60233-001.

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable condition described above to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to management of the County in a separate letter dated June 27, 2002.

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



Jim Petro
Auditor of State

June 27, 2002



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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 2001-60233-002 and 2001-60233-003 in the accompanying schedule of findings, the County did not comply with requirements regarding reporting, and cash management that are applicable to its Workforce Investment Act (WIA) Program. Compliance with such requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

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

We noted a certain matter involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings as item 2001-60233-004. In addition we also noted a reportable condition that impacts all federal programs which is described in the accompanying schedule of findings as item 2001-60233-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions described above as items 2001-60233-004 and 2001-60233-005 to be material weaknesses.

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



Jim Petro
Auditor of State

June 27, 2002

HARDIN COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2001

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Qualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Workforce Investment Act - CFDA #17.255 Medical Assistance Program - CFDA # 93.778
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2001-60233-01

GAAP Conversion Trial Balance Errors

Part of the underlying support for GAAP financial statements is the trial balances. The trial balances are used as a tool to reverse out prior year-end accruals and deferrals, to record the current year's cash activity, and to add in the current year-end accruals and deferrals to the respective line items. To accurately present the current year GAAP financial statements the reversing, cash transaction, adjusting entries, and prior year-end fund balance/retained earnings must be accurate and be recorded to the correct balance sheet or income/operating statement line item. Combined trial balances should be supported by the individual fund trial balances. In addition, the supporting documentation for the current year-end adjusting entries should be in agreement with the adjusting entries posted to the trial balances. During the review of the trial balances the following errors were found:

- Beginning balances did not always agree to the prior year audit report ending balances,
- Some reversing entries for year 2001 were not made, or were recorded to incorrect line items,
- Some adjusting entries in the individual compilation work papers were not carried forward to the adjusting journal entries and therefore were not recorded on the trial balances,
- Some adjusting entries were correct in the individual compilation work papers but were recorded inaccurately in the adjusting entries.
- The combining trial balances for the Enterprise Funds did not accurately roll forward to the combined Enterprise Fund trial balance,
- In some instances Management provided the compilation team with incorrect information.

The failure to prepare accurate trial balances resulted in the material misstatement of the GAAP financial statements.

Prior to submitting information for the GAAP compilation, the County should review the information for accuracy and completeness. In addition, the County should review the GAAP compilation to help assure the accuracy and completeness of the financial statements and note disclosure, the trial balances, and supporting work papers.

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER	2001-60233-002
CFDA TITLE AND NUMBER	Workforce Investment Act (WIA) #17.255
FEDERAL AWARD NUMBER / YEAR	AA-11271-01-50
FEDERAL AGENCY	U.S. Department of Labor
PASS – THROUGH AGENCY	Ohio Dept. of Job and Family Services

Noncompliance

Section 185 (e) of the Workforce Investment Act requires that each local board in the State shall submit quarterly financial reports to the Governor with respect to programs and activities carried out under this title. Such reports shall include information identifying all program and activity costs by cost category in accordance with generally accepted accounting principles and by year of the appropriation involved.

20 CFR 667.300(c)(3) requires that reported expenditures and program income, including any profits earned, must be on the accrual basis of accounting and cumulative by fiscal year of appropriation. If the recipient's accounting records are not maintained on the accrual basis of accounting, the recipient must develop accrual information through an analysis of the documentation on hand.

The local board did not submit to the Governor a quarterly financial report that was prepared in accordance with generally accepted accounting principals. In addition, the local board does not maintain its records on the accrual basis of accounting and it has not developed accrual information through an analysis of the documentation on hand.

The local board should familiarize itself with the requirements of generally accepted accounting principals, develop accrual information from the financial records currently maintained, and submit to the Governor, along with the ODJFS 2827 report, a quarterly financial report which has been prepared in accordance with generally accepted accounting principals.

FINDING NUMBER	2001-60233-003
CFDA TITLE AND NUMBER	Workforce Investment Act (WIA) #17.255
FEDERAL AWARD NUMBER / YEAR	AA-11271-01-50
FEDERAL AGENCY	U.S. Department of Labor
PASS – THROUGH AGENCY	Ohio Dept. of Job and Family Services

Noncompliance

20 CFR Section 667.210(a)(2) requires that the local agency's expenditures for administrative costs under WIA formula grants are to be limited to no more than ten percent (10%) of the amount allocated to the local agency under sections 128(b) and 133(b) of the Act.

The WIA grant is on a July 1 to June 30 fiscal year. As of December 31, 2001, administrative costs were \$27,179 and the 10% budget was \$17,192.

The local agency should develop procedures to monitor the costs charged to the administrative budget account.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER	2001-60233-004
CFDA TITLE AND NUMBER	Workforce Investment Act (WIA) #17.255
FEDERAL AWARD NUMBER / YEAR	AA-11271-01-50
FEDERAL AGENCY	U.S. Department of Labor
PASS – THROUGH AGENCY	Ohio Dept. of Job and Family Services

**Reportable Condition / Material Weakness
 Monitoring of WIA Activity**

The Ohio Department of Jobs and Family Services (ODJFS) administers the Workforce Investment Act (WIA). ODJFS determines the WIA allocation for each county (local agency) and also determines what portion of the local agency’s WIA allocation is to be budgeted for each WIA program. Each local agency is required to only spend up to the budgeted amount for each program. For the period of July 1, 2001 to December 31, 2001 (included as part of the grant’s 2002 fiscal year), the Hardin County Department of Public Assistance overspent the carry-over dislocated worker program budget by \$16,132, the carry-over administrative budget by \$1,312, and the administrative budget by \$9,987. The management of the Hardin Co. Dept. of Public Assistance is aware of the excesses, however it has been common practice in the State to wait until the end of the grant’s fiscal year to fully assess the excess amounts. In the past fiscal years, the excess spending was either recoded to other allowable programs / services or the excess was paid for by the State of Ohio. However, for fiscal year 2002, the State of Ohio has provided the counties with notice that it will not cover the excess spending.

The WIA program has established requirements that must be met in order for an individual to receive assistance from the program. During the period of July 1, 2001 – December 31, 2001, there were six expenditures of WIA funds to a qualified WIA service provider for training services provided to individuals who were not processed through the WIA program and were not approved for the WIA program. This error was eventually identified by management and the monies expended were refunded to the WIA program.

By not timely correcting the excess expenditures over the established budget amount when it first occurs and limit the amount of overspending for a particular WIA account, the end result could be that the excess may not to be covered by the WIA grant. Instead, it could result in a commitment of local dollars, that may not be readily available, to cover the excess. This may in turn, limit services that can be provided by the agency. Furthermore, by not readily identifying if or if not an individual or group of individuals are or are not approved for the WIA program, expenditures may occur that are not for an allowable activity and may be disallowed by the grant. This can result in a commitment of local dollars, that may not be readily available, to cover the expenditure(s). This may in turn limit services that can be provided by the agency.

The Hardin County Dept. of Public Assistance’s management should monitor the expenditure of WIA funds at the program level and identify any excesses when they occur and correct them on a more timely basis rather than waiting until the end of the fiscal year. In addition, procedures should be developed to help ensure that management is adequately notified of which individuals have been approved for the WIA program and therefore, WIA-related services will be provided to these individuals only.

3. FINDINGS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER	2001-60233-005
CFDA TITLE AND NUMBER	All Federal Programs on Schedule of Federal Awards Expenditures
FEDERAL AWARD NUMBER / YEAR	All Federal Programs on Schedule of Federal Awards Expenditures
FEDERAL AGENCY	All Federal Agencies Identified on the Schedule of Federal Awards Expenditures
PASS – THROUGH AGENCY	All Federal Pass Through Agencies Identified on the Schedule of Federal Awards Expenditures

**Reportable Condition / Material Weakness
 Accounting for Federal Programs**

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires federal recipients and subrecipients to identify in their accounts all federal awards received and expended, as well as the federal programs under which they were granted. The accounts utilized by the County did not differentiate federal fund receipts and expenditures from other local receipts and expenditures, in all instances. In assessing the appropriateness and completeness of the County’s identification of federal programs, it must be determined whether the required reports for Federal awards include all activity of the reporting period, are supported by applicable accounting records, and are fairly presented in accordance with program requirements.

In addition, OMB Circular A-133, Subpart C, Section 300(d), states that the County shall prepare appropriate financial statements, including the schedule of federal awards expenditures for the period covered by the County’s financial statements. The federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of federal agency, and name of pass-through agency. The County prepared a schedule of federal awards expenditures, however, it did not include all federal grants.

Examination of the accounting records determined that the County did not have a system in place to differentiate federal program revenues and expenditures from state and local revenues and expenditures. It was not possible to compare receipts and expenditures for a department, or for a specific project and identify federal transactions. The lack of a system for the proper identification of federal transactions in the accounting records resulted in the material misstatement of the schedule of federal awards expenditures. This weakness could also result in the loss of federal funding.

The County should evaluate the current accounting records and make the necessary changes to enable the proper identification of all federal transactions. The implementation of these changes should help ensure that the schedule of federal awards expenditures is complete.

HARDIN COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2001

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2000-60233-001	Ohio Revised Code Section 5705.41 (D)	No	Partially Corrected; The County prepared blanket purchase orders in 2001 that extended beyond year-end, which resulted in a management letter citation.



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FINANCIAL CONDITION

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 23, 2002