FINANCIAL CONDITION
HARDIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2007

FINANCIAL CONDITION
HARDIN COUNTY

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Mary Taylor, CPA
Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units**,** each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units, HARCO Industries, Inc. which represents 16 and 18 percent respectively, and Hardin County Housing Development, Inc. which represents 1 percent and 5 percent, respectively, of the assets/net assets and revenues of the component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, HARCO Industries, Inc. and Hardin County Housing Development, Inc. is based on the reports of other auditors.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, as of December 31, 2007, and the respective changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

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In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2008, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards.* You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the County's basic financial statements. The Schedule of Federal Awards Expenditures presents additional information and is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is also not a required part of the basic financial statements. We subjected the schedule of federal awards expenditures to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 16, 2008

FINANCIAL CONDITION
HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED

The discussion and analysis of Hardin County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2007, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2007 are as follows:

Overall:

- Total net assets increased $365,588 with Governmental Activities increasing by $194,447 and Business-Type Activities increasing by $171,141.
- Total cash receipts were $28,073,096 in 2007.
- Total cash disbursements were $27,707,508 in 2007.

Governmental Activities:

- Total program cash receipts were $14,871,898 in 2007, while program cash disbursements were $23,480,723.
- Public Works and Human Services related programs had the largest cash disbursements totaling $13,337,147 in 2007.

Business-Type Activities:

- Program cash receipts were $4,341,408 for Business Activities, while corresponding cash disbursements were $4,226,785. Hardin Hills contributed significantly to the increase in Net Assets in the business-type activities.

Using this Basic Financial Report

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)

Reporting the County as a Whole

The County's Reporting Entity Presentation

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

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Reporting the County's Most Significant Funds

Fund Financial Statements

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

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

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

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2007 compared to the prior year:

**Table 1
Net Cash Assets**

	Governmental Activities		Business-Type Activities		Totals	
Assets	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Equity in Pooled Cash & Cash Equivalents	$9,399,793	$9,167,239	$1,086,379	$915,238	$10,486,172	$10,082,477
Cash & Cash Equivalents in Segregated Accounts	28,253	27,205			28,253	27,205
Cash With Fiscal Agent	380,590	53,210			380,590	53,210
Total Assets	9,808,636	9,247,654	1,086,379	915,238	10,895,015	10,162,892
Net Cash Assets						
Restricted	7,673,276	4,935,519			7,673,276	4,935,519
Unrestricted (deficit)	2,135,360	4,312,135	1,086,379	915,238	3,221,739	5,227,373
Total Net Assets	$9,808,636	$9,247,654	$1,086,379	$915,238	$10,895,015	$10,162,892

Total net assets increased $365,588 with Governmental Activities increasing by $194,447 and Business-Type Activities increasing by $171,141.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)

Table 2 reflects the changes in net assets for 2007 and 2006.

Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
Cash Receipts	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Program Cash Receipts						
Charges For Services	$4,529,717	$4,510,723	$4,341,408	$4,138,303	$ 8,871,125	$ 8,649,026
Operating Grants and Contributions	9,923,289	9,533,942		5,500	9,923,289	9,539,442
Capital Grants and Contributions	418,892	1,227,826			418,892	1,227,826
Total Program Cash Receipts	14,871,898	15,272,491	4,341,408	$4,143,803	19,213,306	19,416,294
General Cash Receipts and Transfers						
Property Taxes						
General Purpose	1,050,664	1,153,735			1,050,664	1,153,735
911- Public Safety	234,295	246,760			234,295	246,760
Hospital - Health		1,680,443				1,680,443
MRDD - Human Service	1,861,489	1,994,040			1,861,489	1,994,040
Sales Taxes	3,360,156	3,286,234			3,360,156	3,286,234
Special Assessment Bonds Issued	86,200	9,300			86,200	9,300
Grants and Entitlements Not Restricted	996,909	954,730			996,909	954,730
Interest Receipts	705,427	637,269			705,427	637,269
Sale of Assets	700	21,788	8,187	8,362	8,887	30,150
Miscellaneous	511,032	673,187	44,731	53,097	555,763	726,914
Transfers/Advances (Net)	(3,600)	(25,000)	3,600	25,000		
Total General Cash Receipts, Transfers and Advances	8,803,272	10,633,116	56,518	86,459	8,859,790	10,719,575
Total Cash Receipts and Transfers	23,675,170	25,905,607	4,397,926	4,230,262	28,073,096	30,135,869
Cash Disbursements:						
Program Cash Disbursements						
General Government						
Legislative and Executive	3,257,154	3,008,314			3,257,154	3,008,314
Judicial	1,850,372	1,736,661			1,850,372	1,736,661
Public Safety	2,806,466	2,304,822			2,806,466	2,304,822
Public Works	5,894,617	6,403,474			5,894,617	6,403,474
Health	1,120,196	2,082,081			1,120,196	2,082,081
Human Services	7,442,530	7,278,758			7,442,530	7,278,758
Conservation and Recreation	244,097	463,370			244,097	463,370
Economic Development	279,661	515,371			279,661	515,371
Capital Outlay	267,060				267,060	
Debt Service:						
Principal Retirement	271,599	268,871			271,599	268,871
Interest and Fiscal Charges	46,971	54,226			46,971	54,226
Proprietary Funds			4,226,785	4,156,110	4,226,785	4,156,110
Total Cash Disbursements	23,480,723	24,115,948	4,226,785	4,156,110	27,707,508	28,272,058
Increase (Decrease) In Net Cash Assets	194,447	1,789,659	171,141	74,152	365,588	1,863,811
Net Cash Assets at Beginning of Year (Restated – See Note 3)	9,614,189	7,457,995	915,238	841,086	10,529,427	8,299,081
Net Cash Assets at End of Year	$ 9,808,636	$9,247,654	$1,086,379	$ 915,238	$10,895,015	$10,162,892

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 13 percent and 14 percent, respectively, of cash receipts of governmental activities for Hardin County in fiscal year 2007. Operating grants and contributions made up 42 percent of cash receipts of governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Eighty one percent of human services activities are supported through charges for services and operating grants and contributions. General cash receipts provide approximately 37 percent of the support for the total governmental cash disbursements as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Hardin County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

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

	Total Cost of Services		Net Cost of Services	
	2007	**2006**	**2007**	**2006**
Cash Disbursements				
Program Cash Disbursements				
General Government				
Legislative and Executive	$3,257,154	$3,008,314	($2,165,298)	($1,780,332)
Judicial	1,850,372	1,736,661	(987,193)	(879,936)
Public Safety	2,806,466	2,304,822	(2,473,683)	(1,876,784)
Public Works	5,894,617	6,403,474	(171,720)	(458,862)
Health	1,120,196	2,082,081	(568,606)	(1,363,707)
Human Services	7,442,530	7,278,758	(1,421,209)	(1,656,912)
Conservation and Recreation	244,097	463,370	44,175	11,544
Economic Development	279,661	515,371	(279,661)	(515,371)
Capital Outlay	267,060		(267,060)	
Debt Service:				
Principal Retirement	271,599	268,871	(271,599)	(268,871)
Interest and Fiscal Charges	46,971	54,226	(46,971)	(54,226)
Total Cash Disbursements-Governmental	23,480,723	24,115,948	(8,608,825)	(8,843,457)
Business-Type Activities				
Proprietary Funds	4,226,785	4,156,110	114,623	(12,307)

Business-type activities are supported by program cash receipts. During 2007, program cash receipts exceeded program cash disbursements, which resulted in the above increase of $114,623.

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of $24,988,555 and cash disbursements and other financing uses of $24,794,108. The net change in fund balance for the year was most significant to the Permanent Improvement Fund where the cash balance went from $396,857 in 2006 to $1,034,077 for 2007. The increase in cash balance for the Permanent Improvement Fund can be attributed to transfers from the General Fund to the Permanent Improvement Fund to cover expenses related to renovations being made to the Jacob Parrott Safety and Security Center.

General Fund Budgeting Highlights

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

For the General Fund, actual budget basis receipts and other financing sources were $1,055,303 above final/original budget estimates of $7,735,774. Of this $1,055,303 difference, sales tax receipts were $460,156 above original estimates, investment income was $318,068 above original estimates and various other receipt categories made up the remaining $277,079.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were $7,648,892, which is $519,492 less than budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as capital outlay disbursements. The County's largest capital outlay was $125,000 for real estate acquisition during calendar year 2007.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2007 the County had $1,309,214 in bonds and related long-term debt for Governmental Activities. Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

Table 4
Outstanding Debt at December 31
Governmental Activities

	2007	2006
General Obligation/Special Assessment Bonds	$886,398	$1,016,798
OWDA Landfill Closure	406,174	454,425
OPWC Loans	16,642	27,889
Totals	$1,309,214	$1,499,112

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2007
UNAUDITED
(Continued)**

Current Financial Related Activities

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

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

Contacting the County's Financial Management

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

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FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2007

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit Totals
Assets:				
Equity in Pooled Cash and Cash Equivalents	$9,399,793	$1,086,379	$10,486,172	
Cash and Cash Equivalents in Segregated Accounts	28,253		28,253	$300,232
Cash With Fiscal Agent	380,590		380,590	
Total Assets	9,808,636	1,086,379	10,895,015	300,232
Net Assets:				
Restricted For:				
Debt Service	131,307		131,307	
Capital Projects	1,179,046		1,179,046	
Other Purposes	7,210,952		7,210,952	
Unrestricted	1,287,331	1,086,379	2,373,710	300,232
Total Net Assets	$9,808,636	$1,086,379	$10,895,015	$300,232

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2007

		Program Cash Receipts		
	Cash Disbursements	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental Activities				
General Government				
Legislative and Executive	$3,257,154	$1,057,001	$34,855	
Judicial	1,850,372	473,446	389,733	
Public Safety	2,806,466	183,939	148,844	
Public Works	5,894,617	1,687,734	4,035,163	
Health	1,120,196	346,470	74,500	130,620
Human Services	7,442,530	781,127	5,240,194	
Conservation and Recreation	244,097			288,272
Economic Development	279,661			
Capital Outlay	267,060			
Debt Service:				
Principal Retirement	271,599			
Interest and Fiscal Charges	46,971			
Total Governmental Activities	23,480,723	4,529,717	9,923,289	418,892
Business Type Activities				
Hardin Hills	3,630,155	3,780,225		
Waste Transfer Station	535,070	511,642		
Sewers	61,560	49,541		
Total Business Type Activities	4,226,785	4,341,408		
Total Primary Government	$27,707,508	$8,871,125	$9,923,289	$418,892
Component Units:				
Airport	398,287	93,494	438,844	
Harco Industries	112,481	117,258		
Hardin Housing	34,551	33,511		
Total Component Units	$545,319	$244,263	$438,844	

General Cash Receipts and Transfers
Property Taxes Levied for:
General Purpose
911 - Public Safety
MRDD - Human Services
Sales Taxes
Special Assessment Bonds Issued
Grants and Entitlements not Restricted for Specific Programs
Interest
Sale of Assets
Miscellaneous

Total General Receipts

Advances
Transfers

Total General Cash Receipts and Transfers

Changes in Net Cash Assets

Net Cash Assets Beginning of Year (Restated - See Note 3)

Net Cash Assets End of Year

See accompanying notes to the basic financial statements.

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
($2,165,298)		($2,165,298)	
(987,193)		(987,193)	
(2,473,683)		(2,473,683)	
(171,720)		(171,720)	
(568,606)		(568,606)	
(1,421,209)		(1,421,209)	
44,175		44,175	
(279,661)		(279,661)	
(267,060)		(267,060)	
(271,599)		(271,599)	
(46,971)		(46,971)	
(8,608,825)		(8,608,825)	
	$150,070	150,070	
	(23,428)	(23,428)	
	(12,019)	(12,019)	
	114,623	114,623	
($8,608,825)	114,623	(8,494,202)	
			$134,051
			4,777
			(1,040)
			137,788
1,050,664		1,050,664	
234,295		234,295	
1,861,489		1,861,489	
3,360,156		3,360,156	
86,200		86,200	
996,909		996,909	
705,427		705,427	4,314
700	8,187	8,887	
511,032	44,731	555,763	4,679
8,806,872	52,918	8,859,790	8,993
(3,000)	3,000		
(600)	600		
8,803,272	56,518	8,859,790	8,993
194,447	171,141	365,588	146,781
9,614,189	915,238	10,529,427	153,451
$9,808,636	$1,086,379	$10,895,015	$300,232

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2007

	General Fund	Pike Repair Fund	Job and Family Services Fund	MRDD Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash Assets:							
Equity in Pooled Cash and Cash Equivalents	$1,287,331	$1,042,961	$256,400	$1,984,825	$1,034,077	$3,794,199	$9,399,793
Cash and Cash Equivalents in Segregated Accounts				28,253			$28,253
Cash With Fiscal Agent				380,590			380,590
Total Cash Assets	1,287,331	1,042,961	256,400	2,393,668	1,034,077	3,794,199	9,808,636
Cash Fund Balances:							
Reserved for Encumbrances	145,147	72,568	112,400	7,522	29,858	397,631	765,126
Unreserved, Reported in:							
General Fund	1,142,184						1,142,184
Special Revenue Funds		970,393	144,000	2,386,146		3,120,292	6,620,831
Debt Service Funds						131,307	131,307
Capital Projects Funds					1,004,219	144,969	1,149,188
Total Cash Fund Balances	$1,287,331	$1,042,961	$256,400	$2,393,668	$1,034,077	$3,794,199	$9,808,636

See acompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	General Fund	Pike Repair Fund	Job and Family Services	MRDD Fund	Permanent Improvement Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:							
Taxes	$1,050,664			$1,861,489		$234,295	$3,146,448
Intergovernmental Receipts	996,909	$4,035,163	$2,894,343	1,075,764		2,336,911	11,339,090
Investment Income	643,068	34,730				27,629	705,427
Licenses and Permits	1,464					112,483	113,947
Fines & Forfeitures	28,251	39,263				151,995	219,509
Special Assessments						992,173	992,173
Charges for Services	945,873	803,595	226,502	254,117		974,001	3,204,088
Sales Taxes	3,360,156						3,360,156
Miscellaneous	87,918	56,120		39,092	$79,280	248,622	511,032
Total Cash Receipts	7,114,303	4,968,871	3,120,845	3,230,462	79,280	5,078,109	23,591,870
Cash Disbursements:							
General Government							
Legislative and Executive	2,960,076					297,078	3,257,154
Judicial	1,172,391					677,981	1,850,372
Public Safety	2,093,490					712,976	2,806,466
Public Works	20,272	4,826,970				1,047,375	5,894,617
Health						1,120,196	1,120,196
Human Services	171,550		2,959,526	2,974,183		1,337,271	7,442,530
Conservation and Recreation	217,616					26,481	244,097
Economic Development and Assistance						279,661	279,661
Capital Outlay					267,060		267,060
Debt Service:							
Principal Retirement						271,599	271,599
Interest & Fiscal Charges						46,971	46,971
Total Cash Disbursements	6,635,395	4,826,970	2,959,526	2,974,183	267,060	5,817,589	23,480,723
Cash Receipts Over/(Under) Cash Disbursements	478,908	141,901	161,319	256,279	(187,780)	(739,480)	111,147
Other Financing Sources (Uses)							
Special Assessment Bonds Issued						86,200	86,200
Sale of Capital Assets						700	700
Advances In	200,000					86,000	286,000
Advances Out	(3,000)					(286,000)	(289,000)
Operating Transfers In					825,000	198,785	1,023,785
Operating Transfers Out	(865,351)	(86,123)				(72,911)	(1,024,385)
Total Other Financing Sources/(Uses)	(668,351)	(86,123)			825,000	12,774	83,300
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(189,443)	55,778	161,319	256,279	637,220	(726,706)	194,447
Cash Fund Balances - Beginning of Year (Restated -See Note 3)	1,476,774	987,183	95,081	2,137,389	396,857	4,520,905	9,614,189
Cash Fund Balances - End of Year	$1,287,331	$1,042,961	$256,400	$2,393,668	$1,034,077	$3,794,199	$9,808,636

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2007

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	$1,020,246	$66,133	$1,086,379
Total Cash Assets	1,020,246	66,133	1,086,379
Net Assets:			
Unrestricted	$1,020,246	$66,133	$1,086,379

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts:			
Charges for Services	$3,780,225	$511,642	$4,291,867
Other Operating Receipts	44,491	240	44,731
Total Operating Cash Receipts	3,824,716	511,882	4,336,598
Operating Cash Disbursements:			
Personal Services	2,045,771	126,691	2,172,462
Fringe Benefits	684,755	55,005	739,760
Contractual Services	140,180	147,268	287,448
Materials and Supplies	399,271	87,356	486,627
Other Operating Expenses	332,115	175,619	507,734
Capital Outlay	28,063		28,063
Debt Service Principal		4,500	4,500
Total Operating Cash Disbursements	3,630,155	596,439	4,226,594
Operating Income(Loss)	194,561	(84,557)	110,004
Non-Operating Cash Receipts/(Disbursements):			
Proceeds from the sale of Capital Assets	8,187		8,187
Special Assessments		49,541	49,541
Interest Expense & Fiscal Charges		(191)	(191)
Total Non-Operating Cash Revenues/(Disbursements)	8,187	49,350	57,537
Cash Receipts Over Cash Disbursements	202,748	(35,207)	167,541
Income Before Transfers and Advances			
Advances-In		3,000	3,000
Transfers-In		600	600
Changes in Net Assets	202,748	(31,607)	171,141
Net Assets - Beginning of Year	817,498	97,740	915,238
Net Assets - End of Year	$1,020,246	$66,133	$1,086,379

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2007

	Private Purpose Trust	Agency
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	$313,349	$2,375,518
Cash and Cash Equivalents in Segregated Accounts		147,540
Total Cash Assets	313,349	2,523,058
Net Assets:		
Unrestricted	127,068	2,523,058
Restricted	186,281	
Total Net Assets	$313,349	$2,523,058

See accompanying notes to the basic financial statements.

FINANCIAL CONDITION
HARDIN COUNTY

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007

	Private Purpose Trusts
Cash Additions:	
Contributions	$25,906
Investment Income	13,828
Total Cash Additions	39,734
Cash Deductions:	
Payments in Accordance with Trust Agreements	21,300
Total Cash Deductions	21,300
Changes in Net Assets	18,434
Net Assets - Beginning of Year	294,915
Net Assets - End of Year	$313,349

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

A. Component Units

HARCO Industries, Inc.

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

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

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

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

Hardin County Housing Development, Inc.

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Hardin County Airport Authority

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

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

B. Jointly Governed Organizations

West Central Ohio Network

The West Central Ohio Network (West CON) is a regional council of governments. West CON is comprised of the boards of 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. Financial information can be obtained from Saul Bauer, Executive Director, 315 East Court, Sidney, Ohio 45365

Hardin County Regional Planning Commission

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

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

Workforce Investment Act

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

Hardin County Family and Children First Council

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

Logan County Juvenile Detention Center

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

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

C. Joint Ventures:

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

In 2007, tax revenues generated by the levy in Hardin County totaled $208,937. Complete financial statements can be obtained from the Allen County Auditor, Rhonda D. Eddy, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

Marion Hardin Correctional Center

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

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

The Center has no outstanding debt as of December 31, 2007. The Center has not accumulated significant financial resources, nor is the Center experiencing fiscal stress that may cause additional financial benefit or burden on the County in the future. Financial information can be obtained from the Marion County Auditor, Joan M. Kasotis, 222 West Center Street, Marion, Ohio 43302.

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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

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

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

County Employee Benefit Consortium of Ohio, Inc.

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

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

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

Hardin County Veterans Memorial Park District

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

F. Potential Component Units

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

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

Kenton - Hardin General Health District

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

Soil and Water Conservation District

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

Other Districts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

B. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

3. Fund Accounting

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

4. Governmental Funds

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

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

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

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

Mental Retardation and Developmental Disabilities (MRDD) Fund - This fund accounts for various federal and state grants and a property tax levy used to provide assistance and training to mentally retarded and developmentally disabled individuals.

Permanent Improvement Fund – This fund accounts for nearly all of the permanent improvements and/or capital projects for the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Proprietary Funds

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

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

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

6. Fiduciary Funds

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

7. Component Units

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

C. Cash, Cash Equivalents, and Investments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During 2007, investments were limited to Federal National Mortgage Association Notes, Federal Home Loan Bank Notes, STAR Ohio, and Certificates of Deposit. The County records all its investments at cost.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2007. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2007.

Under existing Ohio statutes all investment earnings are assigned to the General Fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the General Fund during 2007 amounted to $643,068, which includes $566,980 assigned from other County funds. For calendar year 2007, total interest receipts amounted to $719,255 in which $643,068 was recorded in the General Fund; $34,730 was recorded in the Pike Repair Fund; $27,629 was recorded in other non-major Special Revenue Funds; and $13,828 was recorded in other non-major Private Purpose Trust Funds.

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

D. Capital Assets and Depreciation

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

E. Compensated Absences

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

F. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes and 10 and 11, the employer contributions include portions for pension benefits and for postretirement health care benefits.

G. Interfund Receivables/Payables

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Health Care

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

I. Intergovernmental Revenues

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

The County's Department of Job and Family Services (JFS) distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately $2,138,839 of federal food stamps during 2007.

J. Long-Term Obligations

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

K. Net Cash Assets

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

L. Inter-fund Transactions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

3. CORRECTION OF AN ERROR AND RESTATEMENT OF BEGINNING FUND BALANCE

Cash held by the West Central Ohio Network, a jointly governed organization of the County, on behalf of the County is recorded as "Cash with Fiscal Agent". The cash balance, receipts and disbursements provided by the West Central Ohio Network in years prior to 2007 were reported on an accrual basis instead of the cash basis. As a result, the beginning cash basis amounts are being reported on the County's Financial Statements for the MRDD Fund, which resulted in a restatement of the Beginning Net Cash Assets for Governmental Activities and a restatement of Cash Fund Balances-Beginning of Year for the MRDD Fund. This restatement had the following impact on net assets as previously reported:

	Governmental Activities	MRDD Fund
Net Assets – Reported at December 31, 2006	$9,247,655	$1,770,855
Restatement	366,534	366,534
Net Assets – January 1, 2007	$9,614,189	$2,137,389

4. COMPLIANCE

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

5. DEPOSITS AND INVESTMENTS

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

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon Unites States treasury security that is a direct obligation of the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio or its political sub-divisions, provided that such political subdivisions are located wholly or partly within the County;

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

7. The State Treasurer's investment pool (STAR Ohio);

8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;

9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

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

5. DEPOSITS AND INVESTMENTS (Continued)

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

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $11,773,520 of the County’s bank balance of $12,226,932 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the County’s name.

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

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

At the year-end, $149,265 of the component units’ bank balances of $300,232 were exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution’s trust department or agent, but not in the component units’ name.

B. Investments

As of December 31, 2007, the County had the following investments:

		Investment Maturities (in Years)			
Investment Type	**Carrying Value**	**Less than 1**	**1-2**	**3-5**	**More than 5**
Federal Home Loan Bank Note	$333,250	$0	$333,250	$0	$0
Federal National Mortgage Association Notes	990,340	990,340			
STAR Ohio	454,442	454,442			
Total Investments	$1,778,032	$1,444,782	$333,250	$0	$0

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

5. DEPOSITS AND INVESTMENTS (Continued)

The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. The security underlying the Federal National Mortgage Association Notes and Federal Home Loan bank note carry a rating of AAA by Standard & Poor's and Aaa by Moody's. STAR Ohio carries a rating of AAAm by Standard and Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the County's name.

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

The County places no limit on the amount it may invest in any one issuer. The following table indicates the percentage of investments to the County's total portfolio:

	Fair Value	**Percentage of Portfolio**
Federal Home Loan Bank Note	$333,250	18.74 %
Federal National Mortgage Association Notes	990,340	55.7%
STAR Ohio	454,442	25.56%
Total Investments	$1,778,032	100%

6. PROPERTY TAXES

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

The full tax rate for all County operations applied to real property for the year ended December 31, 2007, was $10.15 per $1,000 of assessed valuation for real property classified as residential/agricultural and $10.15 per $1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $8.98 per $1,000 of assessed valuation for real property classified as residential/agricultural and $9.43 per $1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

6. PROPERTY TAXES (Continued)

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2007, was 12.5% of true value.

The assessed value upon which the 2007 taxes were collected was $435,083,620.

Real Property - 2007 Valuation:	
Residential	$253,409,470
Agriculture	72,445,900
Commercial	38,462,400
Industrial	17,806,040
Public Utilities	297,510
Tangible Personal Property – 2007 Valuation:	
General	28,493,170
Public Utilities	24,169,130
Total Valuation	$435,083,620

Real property taxes for tax year 2006 are payable annually or semi-annually. If paid annually, payment was due February 16, 2007. If paid semi-annually, the first payment was due February 16, 2007 with the remainder payable by July 20, 2007. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

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

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

7. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2007 amounted to $3,360,156 and is recorded in the General Fund.

8. SHORT TERM DEBT

The County has no short-term debt as of December 31, 2007.

9. LONG TERM DEBT

The County's long-term debt at year end consisted of general obligation bonds, special assessment bonds, and Ohio Water Development Authority (OWDA) and Ohio Public Works Commission (OPWC) Loans which are shown below.

A. The County's long term debt transactions for the year ended December 31, 2007, are summarized below:

	Debt Principal Outstanding 1/1/07	Debt Principal Issued in 2007	Debt Principal Retired in 2007	Debt Principal Outstanding 12/31/07
General Obligation Bonds	$ 834,998		$165,000	$ 669,998
Special Assessment Bonds				
With Government Commitment	181,800	$86,200	51,600	216,400
OWDA Landfill Closure Loan	454,426		48,252	406,174
OPWC Loans	27,889		11,247	16,642
Total	$1,499,113	$86,200	$276,099	$1,309,214

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

The Special Assessment ditch bonds were used to construct and improve ditches and will be retired through assessments against benefited property owners. Each appropriate bond indenture provides for principal and interest to be paid from assessment collections. If the property owners default on their special assessment obligations, the County is obligated to meet the debt service requirements from County funds. The ditch bonds are being paid from the various County ditch funds. The subdivision bonds were used for improvements at one of the County operated sanitary sewer stations. These bonds are being repaid from the applicable Enterprise Sanitary Sewer Fund.

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

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

9. LONG TERM DEBT (Continued)

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

The following are descriptions of the bonds and loans that existed in 2007 and were outstanding as of December 31, 2007:

Description	Issue Date	Issue Rate %	Issuance Amount	2007 Paid Amount	Outstanding Amount	Maturity Date
General Obligation Bonds:						
County Courthouse						
Annex Bond	2002	Various	$1,454,998	$165,000	$ 669,998	2012
Special Assessment Bonds:						
Kasler Ditch	2002	5.00%	64,000	12,000		2007
Robinson Ditch	2002	5.00%	5,500	1,000		2007
Roots Subdivision	2004	4.25%	13,000	4,500		2007
Pattison Avenue Ditch	2003	3.94%	260,000	31,000	124,000	2011
Powell Ditch	2006	6.50%	4,000	800	3,200	2011
Lowery Ditch	2006	6.75%	5,300	2,300	3,000	2011
Huston Ditch	2007	5.00%	11,800		11,800	2012
Miller Ditch	2007	4.20%	32,500		32,500	2012
Harpster Ditch	2007	4.90%	35,000		35,000	2012
Dalton Ditch	2007	5.00%	4,350		4,350	2012
Klingler Ditch	2007	5.00%	2,550		2,550	2012
Total Special Assessment Bonds				51,600	216,400	
Total Bond Debt				216,600	886,398	
Loans						
OWDA Loan	1997	4.56%	891,616	48,252	406,174	2014
OPWC Loan	2004	0.00%	19,498	3,900	1,950	2008
OPWC Loan	1999	0.00%	73,468	7,347	14,692	2009
Total Loans				59,499	422,816	
Total Bonds and Loans				$276,099	$1,309,214	

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2007, including interest payments of $309,420 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds with Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loans	Total
2008	$ 180,320	$ 69,674	$ 68,430	$9,295	$ 327,719
2009	180,700	54,963	68,430	7,347	311,440
2010	180,600	52,913	68,430		301,943
2011	185,000	49,162	68,430		302,592
2012	155,000	14,644	68,431		238,075
2013-2014			136,865		136,865
Total	881,620	241,356	479,014	16,642	1,618,634
Less Interest	(211,622)	(24,956)	(72,842)		(309,420)
Principal	$ 669,998	$216,400	$406,174	$16,642	$1,309,214

The component unit, Hardin County Housing Development, Inc, had outstanding mortgage debt at December 31, 2007 in the amount of $87,374.

9. LONG TERM DEBT (Continued)

Net General Obligation Debt - The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and 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, 2007 are an overall debt margin of $8,415,584 and an unvoted debt margin of $4,350,836.

10. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

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

1. The Traditional Pension Plan (TP) - a cost-sharing multiple-employer defined benefit pension plan.

2. The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.

3. The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. The 2007 member contribution rates were 9.5% for members in the state and local classifications. Public safety members contributed 9.75%. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. The 2007 employer contribution for local government employer units was 13.85% of covered payroll. For both the law enforcement and public safety divisions, the employer contribution rate for 2007 was 17.17%

10. PENSION OBLIGATIONS (Continued)

The County's contributions to OPERS for all employees for the years ended December 31, 2007, 2006, and 2005, were $1,501,015, $1,408,894, and $1,301,304, respectively; 100 percent has been contributed for 2007, 2006, and 2005. The amount to fund pension obligations in 2007 was $909,879.

B. State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

Plan Options - New members have a choice of three retirement plan options. In addition to the Defined Benefits (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DC Plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age.

The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31st year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the "money-purchase benefit" calculation, a member's lifetime contributions plus interest at specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits - Benefits are established under sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

10. PENSION OBLIGATIONS (Continued)

The member may elect to receive a lifetime monthly annuity of a lump-sum withdrawal. Employer contributions into members' accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Combined Plan Benefits - Member contributions are allocated by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying 1% of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio or another public retirement system is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for a money-purchase benefit or a lump-sum payment in addition to the original retirement allowance.

Benefits are increased annually by 3% of the original base amount for Defined Benefit Plan participants.

The Defined Benefit and Combined Plans offer access to health care coverage to eligible retirees who participated in the plans and their eligible dependents. Coverage under the current program includes hospitalization, physician's fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. By Ohio law, health care benefits are not guaranteed.

A Defined Benefit or Combined Plan member with five or more years' credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of members who die before retirement may qualify for survivor benefits. A death benefit of $1,000 is payable to the beneficiary of each deceased retired member who participated in the Defined Benefit Plan. Death benefit coverage up to $2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members' beneficiaries.

For 2007, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. 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 contributions to STRS for the years ended December 31, 2007, 2006, and 2005, were $52,570, $42,495 and $41,823, respectively; 100 percent has been contributed for 2007, 2006, and 2005.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2007, none have elected Social Security.

11. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

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

OPERS provide retirement, disability, and survivor benefits as well as post-employment health care coverage to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-care coverage, age and service retirees under the Traditional and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement No. 12.

A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care. The Ohio Revised Code provides statutory authority for employer contributions. In 2007, the state employers contributed at a rate of 13.77 percent of covered payroll, local government employer units contributed 13.85 percent of covered payroll and public safety and law enforcement employer units contributed at 17.17 percent. The portion of employer contributions, for all employers, allocated to health care was 5.00 percent from January 1, through June 30, 2007 and 6.00 percent from July 1 through December 31, 2007. The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through their contributions to OPERS.

The assumptions and calculations below were based on OPERS latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.50%. An annual increase of 4.00%, compounded annually, is the base portion of the individual pay increase assumption. This assumes the 4.00% based increase, were assumed to range from 0.50% to 6.30%. Health Care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 0.50% to 5.00% for the next 8 years. In subsequent years, (9 and beyond) health care costs were assumed to increase at 4.00% (the projected wage inflation rate).

OPEB is advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 374,979 active contribution participants as of December 31, 2007. The number of active contributing participants for both plans used in the December 31, 2006, actuarial valuation was 362,130. The County's contributions for 2007 that were used to fund post-employment benefits were $596,916. The actual contribution and the actuarially required contribution amounts are the same.

11. POST-EMPLOYMENT BENEFITS (Continued)

The amount of $12 billion represents the actuarial value of OPERS net assets available for OPEB at December 31, 2006. Based on the actuarial cost method used, the Actuarial Valuation as of December 31, 2006, reported the actuarially accrued liability and the unfunded actuarially accrued liability of OPEB at $30.7 billion and 18.7 billion, respectively.

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

B. State Teachers Retirement System

The State Teachers Retirement System of Ohio (STRS Ohio) provides access to health care coverage to retirees who participated in the Defined Benefit or Combined Plans and their dependents. Coverage under the current program includes hospitalization, physician's fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Revised Code (R.C.), the State Teachers Retirement Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium.

The Revised Code grants authority to STRS Ohio to provide health care coverage to eligible benefit recipients, spouse and dependents. By Ohio law, health care benefits are not guaranteed and the cost of coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the year ended December 31, 2007, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled $4,020 for 2007. The balance in the Health Care Stabilization Fund on June 30, 2007, was $4.1 billion.

For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were $265,558,000 and there were 122,934 eligible benefit recipients.

12. REVOLVING LOANS

Hardin County makes special efforts to attract out-of area companies to the County to increase the number of firms and employees working in the County. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. The revolving loans are secured by mortgages on the property. Loans to Innoplas, Inc in the amount of $202,016 were written off this year as defaulted loans. Principle payments in the amount of $8,314 were received on the Innoplas, Inc loans in 2007 before they were written off. PS Kenton Equipment, formerly Innoplas, agreed to repay $126,630 of the defaulted loans over the next ten years in an agreement negotiated by the County to recover a portion of the defaulted Innoplas, Inc loans. Payments made during 2007 and balances outstanding at December 31, 2007 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2007	Principal Outstanding 12/31/07
PS Kenton Equipment	4.75%	2017	$ 4,165	$ 122,465
Laugh and Learn Day Care	4.00%	2022	3,843	78,168
Total Paid and Outstanding			$ 8,008	$ 200,633

13. RISK MANAGEMENT

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

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

General Liability	$1,000,000
Law Enforcement Professional Liability	1,000,000
Public Officials Liability	3,000,000
Stop Gap Liability	2,000,000
Automobile Liability	1,000,000
Uninsured/Underinsured Motorists	250,000
Errors and Omissions Liability	1,000,000
Medical Professional Liability	3,000,000
Building and Contents	59,877,653
Equipment Breakdown	100,000,000
Sewer Lines	500,000
Other Coverages:	
Extra Expense – Business Interruption	1,000,000
EDP Media	100,000
Valuable Papers	1,000,000
Flood	100,000,000
Earthquake	100,000,000
Crime	1,000,000
Money and Securities	1,000,000
Property In Transit	100,000
Unintentional Ommissions	250,000

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

14. INDIVIDUAL COMPONENT UNIT DISCLOSURE

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

	Airport Authority	Harco Industries	Hardin Housing	Totals
Program Cash Receipts	$532,338	$117,258	$33,511	$683,107
General Cash Receipts	3,367	5,479	147	8,993
Program Cash Disbursements	398,287	112,481	34,551	545,319
Changes in Net Cash Assets	137,418	10,256	(893)	146,781
Net Cash Assets Beginning of Year	111,847	38,578	3,026	153,451
Net Cash Assets End of Year	$249,265	$48,834	$2,133	$300,232

As indicated in Note 15, the County provided non-cash benefits to HARCO Industries and Hardin Housing.

15. RELATED PARTY TRANSACTIONS

During 2007, the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported the value of an In-Kind contribution that was determined in accordance with a formula developed by the Ohio Association of Adult Services. The In-Kind contribution from the Hardin County MR/DD Board amounted to $15,231.

During 2007, Hardin County provided the staff salaries, transportation, equipment and other funds as necessary to the Hardin County Housing Development, Inc. (HCHD). HCHD, which is one of the discretely presented component units of Hardin County, reported $26,543 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

16. 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, 2007.

B. Litigation

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

16. CONTINGENT LIABILITIES (Continued)

C. Landfill

Each year the County engages a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study is subject to review by the Ohio Environmental Protection Agency. This year's study estimates that $2,132,153 will be incurred over the remaining 17.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a promissory note for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

17. SUBSEQUENT EVENTS

On January 3, 2008, the County entered into the following contractual commitments for the renovations to the Jacob Parrott Safety and Security Center:

Muhlenkamp Building Corporation	$625,806
Jacks Heating & Plumbing	439,082
Reynolds Electric	349,000
Total	$1,413,888

On July 1, 2008, the Board of Commissioners approved a $500,000 transfer from the General Fund to the Permanent Improvement Fund for expenses related to renovations to the Jacob Parrott Safety and Security Center.

FINANCIAL CONDITION
HARDIN COUNTY

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Beginning Budgetary Fund Balance:	$1,476,774	$1,476,774	$1,476,774	
Resources (Inflows):				
Taxes	1,106,000	1,106,000	1,050,664	($55,336)
Intergovernmental	1,047,000	1,047,000	996,909	(50,091)
Investment Income	325,000	325,000	643,068	318,068
Licenses and Permits	2,000	2,000	1,464	(536)
Fines and Ferfeitures	18,000	18,000	28,251	10,251
Charges for Services	770,000	770,000	945,873	175,873
Sales Taxes	2,900,000	2,900,000	3,360,156	460,156
Miscellaneous	71,000	71,000	87,918	16,918
Other Financing Sources:				
Transfers In	20,000	20,000		(20,000)
Advances In			200,000	200,000
Amounts Available for Appropriation	7,735,774	7,735,774	8,791,077	1,055,303
Charges to Appropriation (Outflows):				
General Government				
Legislative and Executive	2,907,830	3,289,455	3,040,387	249,068
Judicial	1,158,217	1,294,911	1,190,823	104,088
Public Safety	2,111,704	2,167,012	2,108,445	58,567
Public Works	21,177	21,177	20,272	905
Human Services	194,219	196,019	179,540	16,479
Conservation and Recreation	245,453	249,810	241,075	8,735
Other Financial Uses:				
Transfers Out	150,000	950,000	865,351	84,649
Advances Out			3,000	(3,000)
Total Charges to Appropriations	6,788,600	8,168,384	7,648,893	519,491
Ending Budgetary Balance	$947,174	($432,610)	$1,142,184	$1,574,794

See accompanying notes to required supplementary information.

FINANCIAL CONDITION
HARDIN COUNTY

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
PIKE REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Beginning Budgetary Fund Balance:	$987,183	$987,183	$987,183	
Resources (Inflows):				
Intergovernmental	4,290,000	4,290,000	4,035,163	(254,837)
Investment Income	25,000	25,000	34,730	9,730
Fines and Ferfeitures	40,000	40,000	39,263	(737)
Charges for Services	525,000	525,000	803,595	278,595
Miscellaneous	95,000	95,000		(95,000)
Other Financing Sources:				
Sale of Capital Assets	50,000	50,000	56,120	6,120
Amounts Available for Appropriation	6,012,183	6,012,183	5,956,054	(56,129)
Charges to Appropriation (Outflows):				
Public Works	4,875,000	5,019,289	4,899,538	119,751
Other Financing Uses:				
Transfers Out	150,000	90,000	86,123	3,877
Total Charges to Appropriations	5,025,000	5,109,289	4,985,661	123,628
Ending Budgetary Balance:	$987,183	$902,894	$970,393	$67,499

See accompanying notes to required supplementary information.

FINANCIAL CONDITION
HARDIN COUNTY

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Beginning Budgetary Fund Balance:	$95,081	$95,081	$95,081	
Resources (Inflows):				
Intergovernmental	3,301,005	3,301,005	2,894,343	($406,662)
Charges for Services	319,000	319,000	226,502	(92,498)
Other Financing Sources:				
Transfers In	224,000	224,000		(224,000)
Amounts Available for Appropriation	3,939,086	3,939,086	3,215,926	(723,160)
Charges to Appropriation (Outflows):				
Human Services	3,725,041	3,785,693	3,071,926	713,767
Other Financing Uses:				
Transfers Out	118,964	118,964		118,964
Total Charges to Appropriations	3,844,005	3,904,657	3,071,926	832,731
Ending Budgetary Balance:	$95,081	$34,429	$144,000	$109,571

See accompanying notes to required supplementary information.

FINANCIAL CONDITION
HARDIN COUNTY

BUDGETARY COMPARISON SCHEDULE - CASH BASIS
MRDD FUND
FOR THE YEAR ENDED DECEMBER 31, 2007

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Beginning Budgetary Fund Balance:	$2,137,389	$2,137,389	$2,137,389	
Resources (Inflows):				
Taxes	2,103,462	2,103,462	1,861,489	($241,973)
Intergovernmental	1,032,692	1,032,692	1,075,764	43,072
Charges for Services	25,100	25,100	254,117	229,017
Miscellaneous	32,543	32,543	39,092	6,549
Amounts Available for Appropriation	5,331,186	5,331,186	5,367,851	36,665
Charges to Appropriation (Outflows):				
Human Services	2,899,389	2,984,351	2,981,705	2,646
Total Charges to Appropriations	2,899,389	2,984,351	2,981,705	2,646
Ending Budgetary Balance	$2,431,797	$2,346,835	$2,386,146	$39,311

See accompanying notes to required supplementary information.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

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

1. BUDGETARY PROCESS

A. Budget

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

B. Estimated Resources

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

C. Appropriations

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

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

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

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

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

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2007 and were considered routine.

1. BUDGETARY PROCESS (Continued)

7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.

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

D. Encumbrances

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

FINANCIAL CONDITION
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2007

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
(Passed through Ohio Department of Education)				
Food Donation	10.550	N/A		$1,575
National School Lunch Program	10.555	LL-P4-03	$1,546	
Total United States Department of Agriculture			1,546	1,575
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
(Passed through Ohio Department of Development)				
Community Development Block Grant's / State's Program				
Communtity Development Program	14.228	B-F-05-30-1	14,125	
Community Housing Improvement Program		B-C-06-30-1	109,148	
Communtity Development Program		B-F-06-30-1	62,603	
Total Community Development Block Grant's / State's Program			185,876	
HOME Investment Partnerships Program	14.239	B-C-06-030-2	77,165	
Total U.S. Department of Housing and Urban Development			263,041	
U.S. DEPARTMENT OF JUSTICE				
(Direct Program)				
Drug Court Discretionary Grant Program	16.585	2005-DC-BX-0055	140,952	
(Passed through Ohio Department of Youth Services)				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2006-JJ-DA1-0106	46,318	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2006-JG-C01-6272	28,353	
Total United States Department of Justice			215,623	
U.S. DEPARTMENT OF EDUCATION				
(Passed through Ohio Department of Education)				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF-2007	25,664	
		6B-SF-2008	10,189	
Total Special Education Grants to States			35,853	
Special Education Preschool Grants	84.173	PG-S1-2007	9,284	
		PG-S1-2008	3,528	
Total Special Education Preschool Grants			12,812	
Total Special Education Cluster			48,665	
State Grants for Innovative Programs	84.298	C2-S1-2007	108	
Total United States Department of Education			48,773	

FINANCIAL CONDITION
HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2007
(Continued)

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HUMAN SERVICES				
(Passed through Ohio Department of Mental Retardation and Development Disabilities)				
Social Services Block Grant	93.667	N/A	21,396	
Medical Assistance Program	93.778	N/A		
Targeted Case Management			41,612	
Day Hab			162,345	
Total Medical Assistance Programs			203,957	
(Passed through Ohio Department Job and Family Services)				
Child Welfare Services State Grants	93.645	N/A	4,483	
Promoting Safe and Stable Families	93.556	N/A	6,596	
			42,107	
Total Promoting Safe and Stable Families			48,703	
Chafee Foster Care Independence Program	93.674	N/A	406	
Total United States Department of Human Services			278,945	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
(Passed through Ohio Department of Youth Services)				
AmeriCorps	94.006	JJWC-023-06	8,782	
Total Corporation for National and Community Service			8,782	
U.S. DEPARTMENT OF HOMELAND SECURITY				
(Passed through Ohio Department of Public Safety Emergency Management Agency)				
Emergency Management Performance Grants	97.042	2007-EM-E7-0024	18,951	
State Homeland Security Program	97.073	2006-GE-T6-0051	34,225	
Total U.S. Department of Homeland Security			53,176	
Total Federal Awards Expenditures			$869,886	$1,575

NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 2007

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

Revolving Loan Program

1. 2007 Activity

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.

Small Business Revolving Loans	Loan Activity and Balances	Cash Activity and Balances
Beginning Balance January 1, 2007	$292,341	$268,341
Loan Principal Repayments / Cash Receipts	(16,322)	43,270
Written Off as Defaulted Loans	(202,016)	
Loan and Grant Disbursements / Disbursements	126,630	(13,018)
Ending Balances December 31, 2007	$200,633	$298,593

See financial statement note 12 for additional loan activity details.

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

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

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

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements and have issued our report thereon dated, July 16, 2008, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. Other auditors audited the financial statements of the HARCO Industries and Hardin County Housing Development (discretely presented component units), as described in our opinion on the County's financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards.* Other Auditors audited the financial statements of the component unit HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the County's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

We consider the following deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting: 2007-001.

Internal Control Over Financial Reporting
(Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the County's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. However, we believe the significant deficiency described above, as finding number 2007-001, is also a material weakness.

We also noted certain matters that we reported to the County's management in a separate letter dated July 16, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter that we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2007-002.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated July 16, 2008.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 16, 2008

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2007. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Hardin County Airport Authority, which received $348,844 in federal awards which is not included in the Schedule of Federal Awards for the year ended 2007. Our audit of Federal awards, described below, did not include the operations of the Hardin County Airport Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than $500,000 of Federal awards for the year ended December 31, 2007, it was not subject to OMB Circular A-133 audit requirements.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2007. In a separate letter to the County's management dated July 16, 2008, we reported a matter related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that the entity's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the County's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 16, 2008

FINANCIAL CONDITION
HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2007

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weaknesses reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(ii)	**Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weaknesses reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unqualified
(d)(1)(vi)	**Are there any reportable findings under ' .510?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA # 14.228 - Community Development Block Grant/State's Program CFDA # 93.778 - Medical Assistance Program
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

FINDING NUMBER 2007-001

Material Weakness

Improvements in Financial Reporting

An entity should have procedures and/or controls to help assure that financial statements are presented in accordance with reporting standards. The County's 2007 financial statements had errors and omissions which violated the requirements of financial statements presented in accordance with an Other Comprehensive Basis of Accounting (OCBOA). In addition, the notes to the financial statements did not include a disclosure required by governmental accounting and reporting standards section 2300.106(k). These errors or omissions are as follows:

- The Hospital Levy Fund, with revenues of $130,629, expenditures of $991,735, and an ending fund balance of $130,620 was reported as a governmental major fund when it did not meet the criteria to be reported as a major fund. The Permanent Improvement Fund, with revenues of $904,280, expenditures of $267,060, and an ending fund balance of $1,034,076 was not reported as a governmental major fund when it did meet the criteria requiring it to be reported as a major fund.
- Cash balances of the County's component units, in the amount of $300,232, were reported as Equity in Pooled Cash and Cash Equivalents when they should have been reported as Cash and Cash Equivalents in Segregated Accounts since the accounts are not included in the County Treasury.

The accompanying financial statements and notes to the financial statements have been revised to correct these errors and omissions.

The County should utilize governmental financial reporting resources such as the "Codification of Governmental Accounting and Financial Reporting Standards" and Governmental Accounting Standards Board (GASB) Statement 34 along with other applicable GASB statements to help reduce the risk of errors and/or omissions in the annual financial statements.

Officials Response:

Officials did not respond to this finding.

FINDING NUMBER 2007-002

Noncompliance Citation

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

FINDING NUMBER 2007-002
(Continued)

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

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

Officials Response:

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

3. FINDINGS FOR FEDERAL AWARDS

None

SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2007

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2006-001	Property Tax Collection Procedures	Yes	
2006-002	Ohio Rev. Code Section 149.351(A) - destruction of records in the Treasurer's Office	Yes	
2006-003	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – the County did not prepare GAAP financial statements	No	Repeated as Finding 2007-002

Mary Taylor, CPA
Auditor of State

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
AUGUST 21, 2008

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