



Dave Yost • Auditor of State



**FINANCIAL CONDITION  
HARDIN COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Ohio (the County), as of and for the year ended December 31, 2011, 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 36 and 33 percent, respectively, and Hardin County Housing Development, Inc. which represents 1 and 14 percent, respectively, of the assets/net assets and receipts of the component unit column. Other auditors audited those financial statements. They have furnished their reports thereon to us and we base our opinion, insofar as it relates to the amounts included for HARCO Industries, Inc. and Hardin County Housing Development, Inc., on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in 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. 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 provides a reasonable basis for our opinions.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, Ohio, as of December 31, 2011, and the respective changes in cash financial position, thereof for the year then ended in conformity with the accounting basis Note 2 describes.

As described in Note 19, during 2011 Hardin County adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012, 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.

We conducted our audit to opine on the County's financial statements taken as a whole. Management's Discussion & Analysis includes tables of net cash assets, changes in net assets, governmental activities and business type activities, and outstanding debt. The budgetary comparison schedules for the General, Pike Repair, Job and Family Services, and the Hardin County Board of DD Funds provide additional analysis and are not a required part of the basic financial statements. The federal awards expenditure schedule is required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These tables and schedules provide additional information, but are not part of the basic financial statements. However these tables and schedules are management's responsibility, and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. These tables and schedules were subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. Other than the aforementioned procedures applied to the tables, we applied no procedures to any other information in Management's Discussion & Analysis, and we express no opinion or any other assurance on it.



**Dave Yost**  
Auditor of State

August 27, 2012

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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, 2011, 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 2011 are as follows:

Overall:

- Total net assets increased by \$1,095,891 with Governmental Activities increasing by \$1,275,882 and Business-Type Activities decreasing by \$179,991. The increase in Governmental net assets was partly made by an increase in sales taxes and collections of a new levy for public safety.
- Total cash receipts were \$29,121,472 in 2011.
- Total cash disbursements were \$28,025,581 in 2011.

**Governmental Activities:**

- Total program cash receipts were \$14,894,012 in 2011, while program cash disbursements were \$23,224,009.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$13,887,814 in 2011.

**Business-Type Activities:**

Program cash receipts were \$4,576,432 for Business Activities, while corresponding cash disbursements were \$4,801,572. Hardin Hills decrease in Net Assets of \$123,685 was the main reason for the decreased 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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 2011?" 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.

**Reporting the County's Most Significant Funds**

**Fund Financial Statements**

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



**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
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**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.

**Proprietary Funds** – When the County charges customers for the service it provides, these services are generally reported in the proprietary funds. When the services are provided to the general public, the activity is reported as an enterprise fund. The County's major enterprise fund is Hardin Hills.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own 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 2011 compared to the prior year:

**Table 1  
Net Cash Assets**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2010</b>		<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>2011</b>	<b>Restated</b>				
<b>Assets:</b>						
Equity in Pooled Cash & Cash Equivalents	\$11,006,483	\$ 9,840,837	\$1,240,824	\$1,420,815	\$12,247,307	\$11,261,652
Cash & Cash Equivalents Segregated Accounts	29,720	29,449			29,720	29,449
Cash With Fiscal Agent	800,127	690,162			800,127	690,162
<b>Total Assets</b>	<b>11,836,330</b>	<b>10,560,448</b>	<b>1,240,824</b>	<b>1,420,815</b>	<b>13,077,154</b>	<b>11,981,263</b>
<b>Net Cash Assets:</b>						
Restricted	9,342,952	8,892,181			9,342,952	8,892,181
Unrestricted	2,493,378	1,668,267	1,240,824	1,420,815	3,734,202	3,089,082
<b>Total Net Cash Assets</b>	<b>\$11,836,330</b>	<b>\$10,560,448</b>	<b>\$1,240,824</b>	<b>\$1,420,815</b>	<b>\$13,077,154</b>	<b>\$11,981,263</b>

Total assets increased by \$1,095,891 with governmental assets increasing by \$1,275,882 and Business-Type Assets decreasing by \$179,991.

Table 2 shows the changes in cash net assets for year 2011:

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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(Continued)**

**Table 2  
Changes in Net Assets**

	Governmental Activities		Business-Type Activities		2011	2010
	2011	2010	2011	2010	Total	Total
<b>Cash Receipts:</b>						
<b>Program Cash Receipts:</b>						
Charges for Services	\$ 4,649,497	\$ 4,344,904	\$4,573,635	\$4,410,320	\$ 9,223,132	\$ 8,755,224
Operating Grants and Contributions	9,946,166	10,012,635	2,797	5,595	9,948,963	10,018,230
Capital Grants and Contributions	298,349	678,410			298,349	678,410
<b>Total Program Cash Receipts</b>	<b>14,894,012</b>	<b>15,035,949</b>	<b>4,576,432</b>	<b>4,415,915</b>	<b>19,470,444</b>	<b>19,451,864</b>
<b>General Cash Receipts and Transfers:</b>						
<b>Property Taxes:</b>						
General Purpose	1,137,756	1,134,411			1,137,756	1,134,411
911-Public Safety	276,368	275,234			276,368	275,234
Developmental Disabilities	1,974,613	1,967,334			1,974,613	1,967,334
Sheriff Levy	406,342				406,342	
Sales Taxes	3,494,819	3,374,901			3,494,819	3,374,901
Special Assessments				48,676		48,676
Proceeds of Bonds	17,800				17,800	
Grants and Entitlements Not Restricted	1,506,390	1,402,250			1,506,390	1,402,250
Interest Receipts	89,748	152,789			89,748	152,789
Sale of Assets	157,365	37,465		7,930	157,365	45,395
Miscellaneous	545,678	656,547	44,149	139,479	589,827	796,026
Transfers/Advances (Net)	(1,000)	(50,000)	1,000	50,000		
<b>Total General Cash Receipts and Transfers</b>	<b>9,605,879</b>	<b>8,950,931</b>	<b>45,149</b>	<b>246,085</b>	<b>9,651,028</b>	<b>9,197,016</b>
<b>Total Cash Receipt and Transfers</b>	<b>24,499,891</b>	<b>23,986,880</b>	<b>4,621,581</b>	<b>4,662,000</b>	<b>29,121,472</b>	<b>28,648,880</b>
<b>Cash Disbursements:</b>						
<b>Program Cash Disbursements:</b>						
<b>General Government:</b>						
Legislative and Executive	3,329,091	3,227,222			3,329,091	3,227,222
Judicial	1,908,393	1,948,114			1,908,393	1,948,114
Public Safety	3,122,898	2,862,239			3,122,898	2,862,239
Public Works	6,331,464	5,390,044			6,331,464	5,390,044
Health	132,748	367,667			132,748	367,667
Human Services	7,556,350	7,294,386			7,556,350	7,294,386
Conservation and Recreation	102,246	58,463			102,246	58,463
Economic Development	359,866	550,342			359,866	550,342
Capital Outlay						
<b>Debt Service:</b>						
Principal Retirement	249,398	335,254			249,398	335,254
Interest and Fiscal Charges	131,555	48,940			131,555	48,940
Proprietary Funds			4,801,572	5,035,957	4,801,572	5,035,957
<b>Total Cash Disbursements</b>	<b>23,224,009</b>	<b>22,082,671</b>	<b>4,801,572</b>	<b>5,035,957</b>	<b>28,025,581</b>	<b>27,118,628</b>
<b>Net Increase (Decrease) in Net Cash Assets</b>	<b>1,275,882</b>	<b>1,904,209</b>	<b>(179,991)</b>	<b>(373,957)</b>	<b>1,095,891</b>	<b>1,530,252</b>
<b>Net Cash Assets at Beginning of Year (Restated - Note 19)</b>	<b>10,560,448</b>	<b>8,656,239</b>	<b>1,420,815</b>	<b>1,794,772</b>	<b>11,981,263</b>	<b>10,451,011</b>
<b>Net Cash Assets at End of Year</b>	<b>\$11,836,330</b>	<b>\$10,560,448</b>	<b>\$1,240,824</b>	<b>\$1,420,815</b>	<b>\$13,077,154</b>	<b>\$11,981,263</b>

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
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 16 percent and 14 percent, respectively, of cash receipts for governmental activities for Hardin County in fiscal year 2011. Operating grants and contributions made up 41 percent of cash receipts for 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. Seventy-three percent of human services activities are supported through charges for services and operating grants and contributions. General cash receipts provide approximately 41 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 Costs of Services		Net Cost of Services	
	2011	2010	2011	2010
<b>Cash Disbursements:</b>				
<b>Program Cash Disbursements:</b>				
Legislative and Executive	\$3,329,091	\$3,227,222	\$2,385,230	\$2,210,481
Judicial	1,908,393	1,948,114	646,231	1,210,163
Public Safety	3,122,898	2,862,239	2,289,556	2,087,174
Public Works	6,331,464	5,390,044	506,258	176,098
Health	132,748	367,667	(77,736)	(321,851)
Human Services	7,556,350	7,294,386	2,040,525	1,125,968
Conservation and Recreation	102,246	58,463	97,463	(375,847)
Economic Development	359,866	550,342	61,517	550,342
<b>Debt Service:</b>				
Principal Retirement	249,398	335,254	249,398	335,254
Interest and Fiscal Charges	131,555	48,940	131,555	48,940
Total Cash Disbursements - Governmental	23,224,009	22,082,671	8,329,997	7,046,722
<b>Business-Type Activities:</b>				
Proprietary Funds	\$4,801,572	\$5,035,957	(\$ 225,140)	(\$ 620,042)

**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 \$25,027,927 and cash disbursements and other financing uses of \$23,752,045. The General Fund had the greatest net change where the cash balance went from \$1,893,636 in 2010 to \$2,550,202 for 2011. The next greatest change was in the Hardin County Board of Developmentally Disabilities Fund with an increase in cash balance of \$208,213.

All enterprise funds had total operating cash receipts of \$4,620,581, non-operating cash receipts of \$1,000 and operating cash disbursements of \$4,801,572, resulting in a decrease in net assets of \$179,991. The Hardin Hills fund had a decrease in net assets of \$123,685 as a result of a continuing decrease in operating receipts.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**General Fund Budgeting Highlights**

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

For the general fund, final actual cash basis receipts and other financing sources were \$7,002,923, the original budget estimate was \$6,250,000. Of this \$752,923 positive variance, an increase in sales taxes of \$444,819 was the largest variance.

Total actual disbursements and other financing uses on the budget basis (cash outlays and encumbrances) were \$6,565,084, which is \$317,248 less than the final 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 part of the capital outlay disbursements.

**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 and loans. At December 31, 2011 the County had \$875,793 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**

	<u>2011</u>	<u>2010</u>
General Obligation/Special Assessment Bonds	\$527,727	\$ 691,948
OWDA Landfill Closure	189,857	247,646
OPWC Loan	158,209	167,798
Totals	<u>\$875,793</u>	<u>\$1,107,392</u>

**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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
UNAUDITED  
(Continued)**

**Contacting the County's Financial Management**

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

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**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS  
December 31, 2011**

	<u>Primary Government</u>			<u>Component Unit Totals</u>
	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Total</u>	
<b>Assets:</b>				
Equity in Pooled Cash and Cash Equivalents	\$11,006,483	\$1,240,824	\$12,247,307	
Cash and Cash Equivalents in Segregated Accounts	29,720		29,720	144,540
Cash and Cash Equivalents with Fiscal Agent	800,127		800,127	
<b>Total Assets</b>	<b>\$11,836,330</b>	<b>\$1,240,824</b>	<b>\$13,077,154</b>	<b>\$144,540</b>
<b>Net Assets:</b>				
<b>Restricted for:</b>				
Debt Service	\$252,850		\$252,850	
Capital Projects	144,282		144,282	
Other Purposes	8,945,820		8,945,820	
Unrestricted	2,493,378	1,240,824	3,734,202	144,540
<b>Total Net Assets</b>	<b>\$11,836,330</b>	<b>\$1,240,824</b>	<b>\$13,077,154</b>	<b>\$144,540</b>

*See accompanying notes to the basic financial statements.*

**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Governmental Activities:</b>				
<b>General Government:</b>				
Legislative and Executive	\$3,329,091	\$913,099	\$30,762	
Judicial	1,908,393	643,404	618,758	
Public Safety	3,122,898	316,227	517,115	
Public Works	6,331,464	1,847,877	3,977,329	
Health	132,748	133,884	76,600	
Human Services	7,556,350	795,006	4,720,819	
Conservation and Recreation	102,246		4,783	
Economic Development	359,866			\$298,349
<b>Debt Service:</b>				
Principal Retirement	249,398			
Interest and Fiscal Charges	131,555			
<b>Total Governmental Activities</b>	<u>23,224,009</u>	<u>4,649,497</u>	<u>9,946,166</u>	<u>298,349</u>
<b>Business Type Activities:</b>				
Hardin Hills	4,168,058	3,997,427	2,797	
Waste Transfer Station	555,244	522,934		
Sewers	78,270	53,274		
<b>Total Business Type Activities</b>	<u>4,801,572</u>	<u>4,573,635</u>	<u>2,797</u>	
<b>Total Primary Government</b>	<u>28,025,581</u>	<u>9,223,132</u>	<u>9,948,963</u>	<u>298,349</u>
<b>Component Units:</b>				
Airport	154,847	92,449	41,687	
Harco Industries	90,480	82,298		
Hardin Housing	33,551	34,311		
<b>Total Component Units</b>	<u>\$278,878</u>	<u>\$209,058</u>	<u>\$41,687</u>	<u>\$0</u>

**General Cash Receipts and Transfers:**

**Property Taxes Levied for:**

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

Transfers

Total General Cash Receipts and Transfers

Changes in Net Cash Assets

Net Cash Assets Beginning of Year (Restated - Note 19)

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**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>	<b>Component Units</b>
(\$2,385,230)		(\$2,385,230)	
(\$646,231)		(646,231)	
(2,289,556)		(2,289,556)	
(506,258)		(506,258)	
77,736		77,736	
(2,040,525)		(2,040,525)	
(97,463)		(97,463)	
(61,517)		(61,517)	
(249,398)		(249,398)	
(131,555)		(131,555)	
<u>(8,329,997)</u>		<u>(8,329,997)</u>	
	(\$167,834)	(167,834)	
	(32,310)	(32,310)	
	(24,996)	(24,996)	
	<u>(225,140)</u>	<u>(225,140)</u>	
<u>(\$8,329,997)</u>	<u>(225,140)</u>	<u>(8,555,137)</u>	
			(\$20,711)
			(8,182)
			760
			<u>(28,133)</u>
1,137,756		1,137,756	
276,368		276,368	
1,974,613		1,974,613	
406,342		406,342	
3,494,819		3,494,819	
157,365		157,365	
17,800		17,800	
1,506,390		1,506,390	
			15,300
89,748		89,748	224
545,678	44,149	589,827	
<u>9,606,879</u>	<u>44,149</u>	<u>9,651,028</u>	<u>15,524</u>
(1,000)	1,000		
<u>9,605,879</u>	<u>45,149</u>	<u>9,651,028</u>	<u>15,524</u>
1,275,882	(179,991)	1,095,891	(12,609)
<u>10,560,448</u>	<u>1,420,815</u>	<u>11,981,263</u>	<u>157,149</u>
<u>\$11,836,330</u>	<u>\$1,240,824</u>	<u>\$13,077,154</u>	<u>\$144,540</u>

**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES  
GOVERNMENTAL FUNDS  
December 31, 2011**

	<u>General</u>	<u>Pike Repair Fund</u>	<u>Job and Family Service Fund</u>	<u>HCBDD Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>						
Equity in Pooled Cash and Cash Equivalents	\$2,550,202	\$1,343,415	\$123,328	\$3,053,381	\$3,936,157	\$11,006,483
Cash and Cash Equivalents in Segregated Accounts				29,720		29,720
Cash with Fiscal Agents				800,127		800,127
Total Cash Assets	<u>2,550,202</u>	<u>1,343,415</u>	<u>123,328</u>	<u>3,883,228</u>	<u>3,936,157</u>	<u>11,836,330</u>
<b>Fund Balances:</b>						
Non-spendable	56,824					56,824
Committed	11,000					11,000
Restricted		1,343,415	123,328	3,883,228	3,936,157	9,286,128
Assigned	106,487					106,487
Unassigned (Deficit)	2,375,891					2,375,891
Total Cash Fund Balances	<u>\$2,550,202</u>	<u>\$1,343,415</u>	<u>\$123,328</u>	<u>\$3,883,228</u>	<u>\$3,936,157</u>	<u>\$11,836,330</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General Fund</u>	<u>Pike Repair Fund</u>	<u>Job and Family Services</u>	<u>HCBD Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Cash Receipts:</b>						
Property Taxes	\$1,137,756			\$1,974,613	\$682,710	\$3,795,079
Intergovernmental	1,028,725	\$3,977,329	\$1,947,847	1,586,703	3,210,301	11,750,905
Investment Income	88,617	715			416	89,748
Licenses and Permits	1,525				146,064	147,589
Fines and Forfeitures	22,217	27,247			227,723	277,187
Special Assessments					1,103,368	1,103,368
Charges for Services	1,263,711	465,153	299,101	302,306	791,082	3,121,353
Sales Tax	3,494,819					3,494,819
Miscellaneous	117,103	82,764		63,375	282,436	545,678
Total Receipts	<u>7,154,473</u>	<u>4,553,208</u>	<u>2,246,948</u>	<u>3,926,997</u>	<u>6,444,100</u>	<u>24,325,726</u>
<b>Cash Disbursements:</b>						
<b>Current:</b>						
<b>General Government:</b>						
Legislative and Executive	3,006,419				322,672	3,329,091
Judicial	1,099,333				809,060	1,908,393
Public Safety	1,984,325				1,138,573	3,122,898
Public Works	29,271	4,823,025			1,479,168	6,331,464
Health					132,748	132,748
Human Services	178,592		2,371,868	3,718,784	1,287,106	7,556,350
Conservation and Recreation	46,420				55,826	102,246
Economic Development and Assistance					359,866	359,866
<b>Debt Service:</b>						
Principal Retirement					249,398	249,398
Interest and Fiscal Charges					131,555	131,555
Total Disbursements	<u>6,344,360</u>	<u>4,823,025</u>	<u>2,371,868</u>	<u>3,718,784</u>	<u>5,965,972</u>	<u>23,224,009</u>
Cash Receipts Over (Under) Cash Disbursements	<u>810,113</u>	<u>(269,817)</u>	<u>(124,920)</u>	<u>208,213</u>	<u>478,128</u>	<u>1,101,717</u>
<b>Other Financing Sources (Uses):</b>						
Proceeds of Bonds					17,800	17,800
Proceeds from Capital Assets	11,960	142,405			3,000	157,365
Advances In	50,053				160,466	210,519
Advances Out	(51,574)				(158,945)	(210,519)
Transfers In	700				315,817	316,517
Transfers Out	(164,686)	(9,588)			(143,243)	(317,517)
Total Other Financing Sources (Uses)	<u>(153,547)</u>	<u>132,817</u>			<u>194,895</u>	<u>174,165</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	656,566	(137,000)	(124,920)	208,213	673,023	1,275,882
Cash Fund Balances - Beginning of Year (Restated - Note 19)	<u>1,893,636</u>	<u>1,480,415</u>	<u>248,248</u>	<u>3,675,015</u>	<u>3,263,134</u>	<u>10,560,448</u>
Cash Fund Balances - End of Year	<u>\$2,550,202</u>	<u>\$1,343,415</u>	<u>\$123,328</u>	<u>\$3,883,228</u>	<u>\$3,936,157</u>	<u>\$11,836,330</u>

See accompanying notes to the basic financial statements.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS  
PROPRIETARY FUNDS  
DECEMBER 31, 2011**

	<b>Business-Type Activities</b>		
	<b>Hardin Hills</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Cash Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$1,164,144	\$76,680	\$1,240,824
Total Cash Assets	1,164,144	76,680	1,240,824
<b>Net Assets:</b>			
Unrestricted	\$1,164,144	\$76,680	\$1,240,824

*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, 2011**

	<b>Business-Type Activities</b>		
	<b>Hardin Hills</b>	<b>Other Enterprise Funds</b>	<b>Total Enterprise Funds</b>
<b>Operating Cash Receipts:</b>			
Charges for Services	\$3,997,427	\$576,208	\$4,573,635
Intergovernmental	2,797		2,797
Other Operating Receipts	44,149		44,149
Total Operating Cash Receipts	<u>4,044,373</u>	<u>576,208</u>	<u>4,620,581</u>
<b>Operating Cash Disbursements:</b>			
Personal Services	2,081,798	107,180	2,188,978
Fringe Benefits	736,129	50,901	787,030
Contractual Services	203,169	182,504	385,673
Materials and Supplies	458,333	69,555	527,888
Other Operating Expenses	642,073	200,543	842,616
Capital Outlay	46,556	22,831	69,387
Total Operating Cash Disbursements	<u>4,168,058</u>	<u>633,514</u>	<u>4,801,572</u>
Operating(Loss)	(123,685)	(57,306)	(180,991)
Transfers-In		<u>1,000</u>	<u>1,000</u>
Changes in Net Assets	(123,685)	(56,306)	(179,991)
Net Assets - Beginning of Year	<u>1,287,829</u>	<u>132,986</u>	<u>1,420,815</u>
Net Assets - End of Year	<u><u>\$1,164,144</u></u>	<u><u>\$76,680</u></u>	<u><u>\$1,240,824</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

**FINANCIAL CONDITION  
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011**

	<b>Private Purpose Trust</b>	<b>Agency</b>
<b>Cash Assets:</b>		
Equity in Pooled Cash and Cash Equivalents	\$284,037	\$2,683,272
Cash and Cash Equivalents in Segregated Accounts		185,235
<b>Total Cash Assets</b>	<b>284,037</b>	<b>2,868,507</b>
 <b>Net Assets:</b>		
Unrestricted	97,756	
Due to Other Governments		2,868,507
Restricted	186,281	
<b>Total Net Assets</b>	<b>\$284,037</b>	<b>\$2,868,507</b>

*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, 2011**

	<u>Private Purpose Trust</u>
<b>Cash Additions:</b>	
Contributions	\$12,354
Investment Income	1,579
Total Cash Additions	<u>13,933</u>
<b>Cash Deductions:</b>	
Payments in Accordance with Trust Agreements	<u>36,348</u>
Total Cash Deductions	<u>36,348</u>
Changes in Net Assets	(22,415)
Net Assets - Beginning of Year	<u>306,452</u>
Net Assets - End of Year	<u><u>\$284,037</u></u>

*See Accompanying Notes to the Basic Financial Statements.*

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**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**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 that are maintained in the funds described below. Services provided by the County include public protection (sheriff and courts), human services, repair, maintenance and construction of roads, ditches and bridges, disposal transfer services and developmental disabilities educational services.

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

**A. Component Units**

**HARCO Industries, Inc.**

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

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

Complete financial statements can be obtained from Kim Haruff, 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 Developmental Disabilities, provides capital facilities for mental hygiene services for adults with developmental disabilities in Hardin County. The Hardin County Board of DD provides the staff salaries, transportation, equipment and other funds as necessary for the operation. Based on the significant services and resources provided by the County to the HCHD and HCHD's sole purpose of providing assistance to developmentally disabled adults of Hardin County, HCHD is a component unit of the County.

Complete financial statements can be obtained from Dean McCullough, Manager, at the administrative offices at 705 Ida Street, Kenton, Ohio 43326.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**1. DESCRIPTION OF THE REPORTING ENTITY (Continued)**

**Hardin County Airport Authority**

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

Complete financial statements can be obtained from Brenda Broseke, 1040 West Franklin Street, Kenton, Ohio 43326.

**B. Jointly Governed Organizations**

**West Central Ohio Network**

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

**Hardin County Regional Planning Commission:**

The Hardin 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 from Mark Doll, Director, One Courthouse Square, Suite 130, Kenton, Ohio 43326.

**Workforce Investment Act**

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

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**1. DESCRIPTION OF THE REPORTING ENTITY (Continued)**

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

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

The federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1 to June 30. Effective July 1, 2002, Hardin County participated in a multi-county WDA with Auglaize and Mercer Counties, with Mercer County auditor as fiscal agent. Financial information can be obtained from Randy Grapner, 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) provide services to multi-need youth in Hardin County. Members of the council include the Hardin County Board of Developmental Disabilities, Hardin County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Head Start, Kenton-Hardin County Board of Health, Kenton City Schools, Hardin County Human Services, Hardin County Educational Service Center and the Ohio Department of Youth Services. The operation of the council is controlled by an advisory committee, which consists of a representative from each agency. Funding comes mainly from the State of Ohio. Financial information can be obtained from Michael T. Bacon, Hardin County Auditor, One Courthouse Square, Suite 250, Kenton, Ohio 43326.

**Logan County Juvenile Detention Center**

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

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

**C. Joint Ventures:**

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

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**1. DESCRIPTION OF THE REPORTING ENTITY (Continued)**

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

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

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

In 2011, tax revenues generated by the levy in Hardin County totaled \$177,730. Complete financial statements can be obtained from the Allen County Auditor, Rhonda Eddy-Stienecker, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

**Marion Hardin Correctional Center**

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

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

The Commission has no outstanding debt as of December 31, 2011. Marion Hardin Correctional Center closed a wing in 2011 because of Marion County's financial condition, which reduced the number of beds for Hardin County. 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. 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**1. DESCRIPTION OF THE REPORTING ENTITY (Continued)**

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.

**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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**1. DESCRIPTION OF THE REPORTING ENTITY (Continued)**

**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 County 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 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 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 another 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 cash 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. 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3. Fund Accounting**

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

**4. Governmental Funds**

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

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

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

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

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

The other governmental funds of the County account for grants, other resources, debt service, and capital projects whose use is restricted, committed or assigned 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:



**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 the Developmental Disabilities (HCBDD), Hardin Hills, and Veteran's Services. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**7. Component Units**

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

**C. Cash, Cash Equivalents, and Investments**

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

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

During 2011, investments were limited to STAR Ohio, Federal Farm Credit Bank Notes, Federal Home Loan Bank Notes 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 2011. 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, 2011.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 2011 amounted to \$88,617, which includes \$76,997 assigned from other County funds. For calendar year 2011, total interest receipts amounted to \$91,327 in which \$88,617 was recorded in the General Fund; \$715 was recorded in the Pike Repair Fund; \$416 was recorded in other non-major Governmental Funds; and \$1,579 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 modified 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 9 and 10 the employer contributions include portions for pension benefits and for postretirement health care benefits.

**G. Interfund Receivables/Payables**

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

**H. Health Care**

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

**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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately \$6,039,661 of federal food stamps during 2011.

**J. Long-Term Obligations**

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

**K. Fund Balance**

Fund Balance is divided into five classifications based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

**Non-spendable:** The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

**Restricted:** Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or is imposed by law through constitutional provisions (County resolutions).

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the County can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed:** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of County Commissioners. Those committed amounts cannot be used for any other purpose unless County Commissioners removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purpose with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the County Commissioners, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned:** Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by County Commissioners or a County official delegated that authority by resolution or state statute.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Unassigned:** Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**L. 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.

**M. Interfund 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.

**3. COMPLIANCE**

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS**

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

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

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

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

Reverse repurchase agreements and investment 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 and corporate notes must mature within 270 days. All other investments must mature within five years from the date of settlement unless matched to a specific obligation or debt of the County. Investments may only be made through specified dealers and institutions. Payments for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

**A. Deposits**

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$12,578,015 of the County's bank balance of \$13,552,939 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

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

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

**B. Investments**

As of December 31, 2011, the County's investments were as follows:

Description	Carrying Value	Investment Maturities (in Years)			
		Less than 1	Fair 1-2	3-5	More than 5
Federal Farm Loan Bank Note			\$ 499,166		
Federal Home Loan Bank Notes			1,500,214		
STAR Ohio	\$84,234	\$84,234			
Total	\$84,234	\$84,234	\$1,999,380		

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**4. DEPOSITS AND INVESTMENTS (Continued)**

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

The County has no investment policy dealing with investment credit risk beyond the requirement in state statutes. The security underlying the Federal Farm Loan bank note and Federal Home Loan bank notes carry a rating of AA+ 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 County has no investment policy dealing with investment custodial risk beyond the requirements in ORC135.35 (J)(2) which states, "Payments 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. As of December 31, 2011, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>
Federal Farm Credit Bank Note	\$499,166	24%
Federal Home Loan Bank Notes	1,500,214	72%
STAR Ohio	84,234	4%
Total Investments	<u>\$2,083,614</u>	<u>100%</u>

**5. PROPERTY TAXES**

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

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2011, was \$12.05 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$12.05 per \$1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$10.94 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.59 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**5. PROPERTY TAXES (Continued)**

The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

The assessed value upon which the 2011 taxes were collected was \$466,502,960.

Real Property - 2011 Valuation:	
Residential/Agricultural - 2011 Valuation	\$382,204,420
Commercial	40,904,680
Industrial	20,159,030
Public Utilities	427,680
Tangible Personal Property - 2011 Valuation	
Public Utilities	<u>22,807,150</u>
Total Valuation	<u>\$466,502,960</u>

Real property taxes for tax year 2011 are payable annually or semi-annually. If paid annually, payment is due February 11, 2011. If paid semi-annually, the first payment is due February 11, 2011 with the remainder payable by July 15, 2011. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

**6. PERMISSIVE SALES AND USE TAX**

The County Commissioners by resolution have imposed a one and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2011 amounted to \$3,494,819 and is recorded in the General Fund.

**7. LEASE-PURCHASE AGREEMENT**

On September 29, 2011, the County entered into a lease-purchase financing agreement with Ford Motor Credit Company to finance the acquisition of five sheriff cruisers. The Lease requires the County to make payments of principal and interest each September 29 beginning September 29, 2011 and ending September 29, 2013. The County's special Sheriff Levy Fund will be used to pay the principal and interest portions of the lease.

The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement and the present value of the future minimum lease payments as of December 31, 2011:



**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**7. LEASE-PURCHASE AGREEMENT (Continued)**

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$45,309	\$5,600	\$ 50,909
2013	48,027	2,882	50,909
Total	<u>\$93,336</u>	<u>\$8,482</u>	<u>\$101,818</u>

**8. LONG TERM DEBT**

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

A. The County's long term debt transactions for the year ended December 31, 2011, are summarized below:

	<u>Debt Principal Outstanding 01/01/11</u>	<u>Debt Principal Issued</u>	<u>Debt Principal Retired</u>	<u>Debt Principal Outstanding 12/31/11</u>
General Obligation Bonds	\$ 159,998		\$ 90,171	\$ 69,827
Special Assessment Bonds with Government Commitment	531,950	\$17,800	91,850	457,900
OWDA Landfill Closure	247,646		57,789	189,857
OPWC Loans	167,797		9,588	158,209
Total	<u>\$1,107,391</u>	<u>\$17,800</u>	<u>\$249,398</u>	<u>\$875,793</u>

The general obligation bonds were used to construct the Hardin County Courthouse Annex. General Obligation Bonds are secured by the County's ability to levy a voted or unvoted property tax within limitations of Ohio Law. The 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 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. The debt is being repaid from the Special Revenue Landfill Assessment Fund.

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. LONG TERM DEBT (Continued)**

In 2009, the County issued two Special Assessment taxable bonds. One was for the purpose of reimbursing the cost of construction improvements to a landfill slurry wall in the amount of \$500,000 and the other was for the purpose of paying the cost of constructing improvements to Maddy Ditch #1092 in the amount of \$11,600. The \$500,000 Landfill Slurry Wall bonds are scheduled for repayment over a ten year period that began in April 2010.

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

In 2011, the County issued a Special Assessment taxable bond. It was for the purpose of paying the cost of constructing improvements to Taylor Creek Ditch in the amount of \$17,800.

The following are descriptions of the bonds and loans that existed in 2011 and were outstanding as of December 31, 2011:

Description	Issue Date	Issue Rate %	Original Amount	2011 Paid Amount	Outstanding Amount	Maturity Date
<b>General Obligation Bonds:</b>						
Courthouse Annex Bond	Oct 2002	various	\$1,454,998	\$ 90,171	\$ 69,827	Dec 2012
				<u>90,171</u>	<u>69,827</u>	
<b>Special Assessment Bonds:</b>						
Landfill Slurry Wall	2009	4.99%	500,000	41,700	418,500	2019
Pattison Ave. Ditch	2003	3.94%	260,000	31,000		2011
Powell Ditch	2006	6.50%	4,000	800		2011
Lowery Ditch	2006	6.75%	5,300	750		2011
Huston Ditch	2007	5.00%	11,800	1,800	1,800	2012
Miller Ditch	2007	4.20%	32,500	6,200	6,200	2012
Harpster	2007	4.90%	35,000	5,500	5,500	2012
Dalton Ditch	2007	5.00%	4,350	500	500	2012
Maddy Ditch	2009	3.97%	11,600	2,300	5,600	2014
Marquart Ditch	2010	5.50%	3,300	1,300	2,000	2028
Taylor Creek	2011	5.50%	17,800		17,800	2019
Total Special Assessment Bonds				<u>91,850</u>	<u>457,900</u>	
Total Bond Debt				<u>\$182,021</u>	<u>\$527,727</u>	
<b>Loans:</b>						
OWDA Loan	July '97	4.56%	891,616	\$ 57,789	\$189,857	2014
OPWC Loan	June '08	0.00%	191,768	9,588	158,209	2028
Total Loans				<u>67,377</u>	<u>348,066</u>	
Total Bonds and Loans				<u>\$249,398</u>	<u>\$875,793</u>	

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**8. LONG TERM DEBT (Continued)**

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2011, including interest payments of \$204,832 are as follows:

	<b>General Obligation Bonds - Governmental Purposes</b>		<b>Special Assessment Bonds with Government Commitment</b>		<b>OWDA Landfill Closure Loan</b>		<b>OWPC Bridge Loans</b>
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>
2012	\$69,827	\$85,173	\$ 66,300	\$ 22,801	\$ 60,455	\$ 7,976	\$ 9,588
2013			50,000	19,577	63,243	5,188	9,588
2014			52,200	17,088	66,159	2,271	9,588
2015			53,000	14,487			9,588
2016			55,000	11,831			9,588
2017-2021			181,400	18,440			47,942
2022-2026							47,943
2027-2028							14,384
<b>Total</b>	<b>\$69,827</b>	<b>\$85,173</b>	<b>\$457,900</b>	<b>\$104,224</b>	<b>\$189,857</b>	<b>\$15,435</b>	<b>\$158,209</b>

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

The effects of the debt limitations described above at December 31, 2011 are an overall debt margin of \$9,539,631 and an un-voted debt margin of \$4,665,030.

The component unit, Hardin County Housing Development, Inc, had outstanding mortgage debt at December 31, 2011 in the amount of \$63,815.

**9. PENSION OBLIGATIONS**

**Ohio Public Employees Retirement System (OPERS)**

All County employees, except certified teachers, 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. PENSION OBLIGATIONS (Continued)**

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, but less than 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 provide 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 the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

**Funding Policy** - The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution rate to 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units. For the year ended December 31, 2011, members in state and local classifications contributed 10.0% percent of covered payroll while public safety and law enforcement members contributed 11.0 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, public safety and law enforcement divisions exist only within the traditional plan. For 2011, member and employer contribution rates were consistent across all three plans.

The County's 2011 contribution rate was 14 percent, except for those plan members in public safety or law enforcement, for whom the County's contribution was 18.10 percent of covered payroll. The portion of the County's contribution used to fund pension benefits is net of postemployment health care benefits. The portion of County's contribution allocated to health care for members in the traditional plan was 4 percent. Employer contribution rates are actuarially determined.

The County's contributions to OPERS for all employees for the years ended December 31, 2011, 2010, and 2009, were \$970,078, \$978,056, and \$894,892, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

**State Teachers Retirement Systems**

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**9. PENSION OBLIGATIONS (Continued)**

The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a life time monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**Funding Policy** – For the fiscal year 2011, 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 the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contribution for pension obligations for the fiscal years 2011, 2010, and 2009 was \$39,544, \$33,902 and \$34,657; 100.00 percent has been contributed for fiscal years June 30, 2011, 2010 and 2009.

STRS Ohio issues a stand-alone financial report. Copies of STRS Ohio 2011 Comprehensive Annual Financial Report will be available after December 17, 2011. Additional information or copies of STRS Ohio's 2011 Comprehensive Annual Financial Report can be requested by writing to STRS Ohio, 275 E. Board St., Columbus, Ohio 43215-3771, by calling toll-free (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

**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, 2011, none have elected Social Security.

**10. POSTEMPLOYMENT BENEFITS**

**Ohio Public Employees Retirement System (OPERS)**

**Plan Description** - 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.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

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

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 Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

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

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed 14 percent of covered payroll and public safety and law enforcement employers contributed 18.1 percent. The Ohio Revised Code currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for public safety and law enforcement employer units.

Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of the employer contribution allocated to health care for members in the traditional plan was 4 percent.

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

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2011, 2010, and 2009 was \$538,932, \$557,009, \$644,234.

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 of each year from 2006 to 2008. Rates for public safety and law enforcement employers increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**10. POSTEMPLOYMENT BENEFITS (Continued)**

**State Teachers Retirement System**

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

**Funding Policy** – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The County’s contributions for health care for the years 2011, 2010, and 2009 were \$3,042, \$2,608, and \$2,666, respectively; 100 percent has been contributed for 2011, 2010, and 2009.

**11. REVOLVING LOANS**

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

Payments made during 2011 and balances outstanding at December 31, 2011 were as follows:

<u>Business</u>	<u>Rate</u>	<u>Maturity Year</u>	<u>Beginning Principal 2011</u>	<u>Principal Paid 2011</u>	<u>Principal Outstanding 12/31/11</u>
Plastic Systems	4.75%	2014	\$ 91,852	\$ 7,821	\$ 84,031
Dairy Barn	4.00%	2029	36,250	1,300	34,950
Laugh and Learn Day Care	5.00%	2024	65,674	4,509	61,165
Total Principal Paid and Outstanding			<u>\$193,776</u>	<u>\$13,630</u>	<u>\$180,146</u>

**12. RISK MANAGEMENT**

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

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**12. RISK MANAGEMENT (Continued)**

General Liability - Each Occurrence	\$ 1,000,000
Law Enforcement Professional Liability	1,000,000
Automobile Liability	1,000,000
Errors and Omissions Liability	1,000,000
Excess Liability	5,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	73,967,525
Equipment Breakdown - Service Interruption	100,000,000
Public Officials Liability	1,000,000
Ohio Stop Gap Employer' Liability	250,000
Uninsured/Underinsured Motorists	250,000
Medical Professional Liability	6,000,000
Foster Parents Coverage	500,000
Sewer Lines	500,000
Other Coverage:	1,000,000
Extra Expenses - Business Interruption	100,000
EDP Media	1,000,000
Valuable Papers	100,000,000
Flood	100,000,000
Earthquake	100,000,000
Crime	1,000,000
Money and Securities	5,000,000
Automatic Acquisition	5,000,000
Property in Transit	100,000
Unintentional Omissions	250,000

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

Employees of the Hardin County Board of Developmental Disabilities (HCBDD) Board are covered by the County Boards Association (CBA) Benefit Services.

**13. COMPONENT UNIT DISCLOSURE**

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

	<u>Airport Authority</u>	<u>HARCO Industries</u>	<u>Hardin Housing</u>	<u>Totals</u>
Program Cash Receipts	\$134,136	\$82,298	\$34,311	\$250,745
General Cash Receipts	46	15,478		15,524
Program Cash Disbursements	154,847	90,480	33,551	278,878
Changes in Net Cash Assets	(20,665)	7,296	760	(12,609)
Net Cash Assets Beginning of Year	111,635	44,187	1,327	157,149
Net Cash Assets End of Year	<u>\$ 90,970</u>	<u>\$51,483</u>	<u>\$ 2,087</u>	<u>\$144,540</u>



**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**13. COMPONENT UNIT DISCLOSURE (Continued)**

**A. Hardin County Airport Authority**

**Accounting Basis**

The financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Airport recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred.

**Fund Accounting**

The Airport classifies its one fund as an enterprise fund. Enterprise funds account for operations that are similar to private business enterprises, where management intends to recover the significant costs of providing certain goods or services through user charges.

**Deposits and Investments**

The Airport maintained all money in a checking account which is valued at cost. The carrying amount of deposits at December 31 was \$90,970. Deposits are insured by the Federal Depository Insurance Corporation.

**Property, Plant, and Equipment**

The Airport records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**B. Harco Industries**

**Accounting Basis**

The financial statements of HARCO Industries, Inc. have been prepared in conformity with accounting principles generally accepted in the United States (GAAP) as applied to a governmental nonprofit organization. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. HARCO Industries, Inc. also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided they do not conflict with or contradict GASB pronouncements. Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Basic financial statements are prepared using the accrual basis of accounting. For purposes of presentation within the County financial statements, cash activity has been presented.

**Fund Accounting**

HARCO Industries, Inc. uses one fund to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain HARCO Industries, Inc. functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The one fund of HARCO Industries, Inc. is classified Proprietary Enterprise.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**13. COMPONENT UNIT DISCLOSURE (Continued)**

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows all cash equivalents under 90 days maturity are included. The carrying value of cash and cash equivalents was \$51,481.

**Capital Assets**

Building and equipment are not recognized on HARCO Industries, Inc. books of account. All property is owned by the Hardin County DD.

**Tax-exempt Status**

The entity has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code and is exempt from federal income tax under Section 501(c)(3).

**C. Hardin Housing**

**Accounting Basis**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Financial statements are prepared using the accrual basis of accounting. For purposes of presentation within the County financial statements, cash activity has been presented.

**Fund Accounting**

The one operating fund includes unrestricted resources for reporting income and expense and represents the portion of expendable funds that is available for the budgeted operations of the organization. There are no temporarily restricted funds.

**Property and Equipment**

Property and equipment is listed at cost, net of accumulated depreciation, which is calculated using the straight-line method. Buildings are depreciated over a life of forty years, equipment over ten years and improvements over fifteen years. Assets of more than \$50 are capitalized. Items under \$50 are recorded in the expense account "Supplies".

**Cash**

Cash includes amounts in demand deposits. At year end the carrying amount of deposits was \$1,982 and the bank balance was \$2,657. Of the bank balance, all was covered by federal depository insurance.

**Tax-exempt Status**

The Organization is exempt from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code effective May 15, 1995.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**14. RELATED PARTY TRANSACTIONS**

During 2011, Hardin County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported 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 Board of Developmental Disabilities amounted to \$25,838 (the latest data available).

During 2011, 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 \$27,258 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

**15. COMMITMENTS**

The County records all encumbrances and does not have a policy of what encumbrances are considered significant encumbrances. All encumbrances are classified as assigned fund balance in the General Fund and assigned, committed, or restricted in the non-general funds.

Encumbrances as of year-end were:

<u>Fund</u>	<u>Assigned</u>	<u>Committed</u>	<u>Restricted</u>	<u>Total</u>
<b>Major Governmental Funds:</b>				
General	\$106,487			\$106,487
Pike Repair			\$ 56,975	56,975
Job and Family Services			115,000	115,000
Hardin County Board of DD			5,914	5,914
Non-Major Governmental Funds			404,698	404,698
<b>Totals</b>	<b>\$106,487</b>	<b>\$0</b>	<b>\$582,587</b>	<b>\$689,074</b>

**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, 2011.

**B. Litigation**

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

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**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 estimated that \$1,865,513 will be incurred over the remaining 14.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a promissory note for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

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

**17. FUND BALANCES**

Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the County is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on the fund balance for the major governmental funds and all other governmental funds are presented below:

<b>Fund Balances</b>	<b>General</b>	<b>Pike Repair Fund</b>	<b>Job and Family Services Fund</b>	<b>HCBD Fund</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
<b>Non-spendable:</b>						
Other Purposes	\$ 56,824					\$ 56,824
<b>Committed:</b>						
Other Purposes	11,000					11,000
Total Committed	11,000					11,000
<b>Restricted for:</b>						
Road and Bridge Maintenance		\$1,343,415				1,343,415
Ditch Maintenance					\$ 941,590	941,590
Real Estate Assessment					306,009	306,009
Public Assistance			\$123,328			123,328
Developmental Disabilities				\$3,883,228		3,883,228
Capital Improvements					144,282	144,282
Debt Service Payments					252,850	252,850
911 Services					423,614	423,614
Children Services					337,822	337,822
Other Purpose:					1,529,990	1,529,990
Total Restricted		1,343,415	123,328	3,883,228	3,936,157	9,286,128
<b>Assigned To:</b>						
Other Purposes	106,487					106,487
Unassigned	2,375,891					2,375,891
Total Fund Balances	<u>\$2,550,202</u>	<u>\$1,343,415</u>	<u>\$123,328</u>	<u>\$3,883,228</u>	<u>\$3,936,157</u>	<u>\$11,836,330</u>

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**18. OPERATING TRANSFERS**

All of the County transfers are shown below which require a resolution by the County Commissioners in order for the County Auditor to make the transfer. Transfers from the Landfill Fund were used for debt retirement on the OWDA Landfill Note and Slurry Wall Bonds and for Waste Disposal operations. The transfers from the Pike Repair Fund were used for debt retirement on a road project. The transfers from the Juvenile Court Funds were used to cover payroll related expenses of the Youth Service Program. One of the County's resolutions requires monthly transfers from the General Fund to the GIS fund to finance GIS activities.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 700	\$164,686
Pike Repair		9,588
<b>Other Governmental Funds:</b>		
Landfill		133,095
GIS	58,416	
Information Technology Dept	30,000	
Emergency Management Agency	18,000	
Youth Service Program	10,148	
Juvenile Court-CSAT		8,458
Juvenile Court - Life Works		1,690
Keep Hardin Co. Beautiful	10,520	
Bond Retirement-Courthouse	46,000	
Note Retirement-OWDA-Landfill	68,431	
Slurry Wall Bond Note	64,664	
OPWC Debt Retirement	9,588	
Powell Ditch	50	
<b>Enterprise Funds:</b>		
Reed Road Sanitary Sewer	1,000	
Totals	<u>\$317,517</u>	<u>\$317,517</u>

**19. CHANGE IN ACCOUNTING PRINCIPLES**

For 2011, the County implemented Governmental Accounting Standard Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of GASB Statement No. 54 had the following effects on beginning fund balances of governmental funds and beginning net assets of governmental activities as previously reported:

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**19. CHANGE IN ACCOUNTING PRINCIPLES (Continued)**

	<u>Fund Balance</u>		<u>Net Assets</u>
	<u>General</u>	<u>Other Governmental Funds</u>	<u>Governmental Activities</u>
Fund Balance/Net Assets at December 31, 2010	\$1,668,267	\$3,476,450	\$10,548,395
<b>GASB 54 Restatement For:</b>			
Unclaimed Monies - Agency Fund	12,053		12,053
County Recorder's Equipment Fund	2,970	(2,970)	
Certificate of Title Administration Fund	199,346	(199,346)	
Underground Storage Tank Fund	11,000	(11,000)	
Total Restatement	<u>225,369</u>	<u>(213,316)</u>	<u>12,053</u>
Adjusted Fund Balance/Net Assets at December 31, 2010	<u>\$1,893,636</u>	<u>\$3,263,134</u>	<u>\$10,560,448</u>

**FINANCIAL CONDITION  
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$1,514,067	\$1,514,067	\$1,514,067	
<b>Resources (Inflows):</b>				
Taxes	1,100,000	1,100,000	\$1,137,756	\$37,756
Intergovernmental	917,500	917,500	1,028,725	111,225
Investment Income	150,000	150,000	88,617	(61,383)
Licenses and Permits	2,000	2,000	1,525	(475)
Fines and Forfeitures	25,000	25,000	22,217	(2,783)
Charges for Services	951,000	951,000	1,096,567	145,567
Sales Taxes	3,050,000	3,050,000	3,494,819	444,819
Miscellaneous	49,700	49,700	70,684	20,984
<b>Other Financing Sources:</b>				
Sale of Capital Assets	4,800	4,800	11,960	7,160
Transfers In				
Advances In			50,053	50,053
Amounts Available for Appropriation	<u>7,764,067</u>	<u>7,764,067</u>	<u>8,516,990</u>	<u>752,923</u>
<b>Charges to Appropriation (Outflows):</b>				
<b>General Government:</b>				
Legislative and Executive	3,026,457	3,191,728	3,015,504	176,224
Judicial	1,173,407	1,194,972	1,076,687	118,285
Public Safety	1,902,110	1,990,495	1,986,102	4,393
Public Works	30,043	30,043	29,271	772
Human Services	200,867	220,426	186,592	33,834
Conservation and Recreation	53,213	54,668	54,668	
<b>Other Financial Uses:</b>				
Transfers Out	100,000	200,000	164,686	35,314
Advances Out			51,574	(51,574)
Total Charges to Appropriations:	<u>6,486,097</u>	<u>6,882,332</u>	<u>6,565,084</u>	<u>317,248</u>
Prior Year Encumbrances Appropriated	<u>154,200</u>	<u>154,200</u>	<u>154,200</u>	
Ending Budgetary Balance	<u>\$1,432,170</u>	<u>\$1,035,935</u>	<u>\$2,106,106</u>	<u>\$1,070,171</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
PIKE REPAIR FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$1,382,535	\$1,382,535	\$1,382,535	
<b>Resources (Inflows):</b>				
Intergovernmental	4,285,000	4,285,000	3,977,329	(\$307,671)
Investment Income	15,000	15,000	715	(14,285)
Fines and Forfeitures	50,000	50,000	27,247	(22,753)
Charges for Services	600,000	600,000	465,153	(134,847)
Miscellaneous	150,000	150,000	82,764	(67,236)
<b>Other Financing Sources:</b>				
Sale of Capital Assets	50,000	50,000	142,405	92,405
Amounts Available for Appropriation	<u>6,532,535</u>	<u>6,532,535</u>	<u>6,078,148</u>	<u>(454,387)</u>
<b>Charges to Appropriation (Outflows):</b>				
Public Works	5,000,000	5,234,658	4,880,000	354,658
Other Financing Uses				
Transfers Out	150,000	13,000	9,588	3,412
Total Charges to Appropriations:	<u>5,150,000</u>	<u>5,247,658</u>	<u>4,889,588</u>	<u>358,070</u>
Prior Year Encumbrances Appropriated	<u>97,879</u>	<u>97,879</u>	<u>97,880</u>	
Ending Budgetary Balance	<u><u>\$1,480,414</u></u>	<u><u>\$1,382,756</u></u>	<u><u>\$1,286,440</u></u>	<u><u>(\$96,317)</u></u>

*See Accompanying Notes to Required Supplementary Information.*



**FINANCIAL CONDITION  
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
JOB AND FAMILY SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$150,144	\$150,144	\$150,144	
<b>Resources (Inflows):</b>				
Intergovernmental	2,412,782	2,412,782	1,947,847	(\$464,935)
Charges for Services	270,517	270,517	299,101	28,584
Amounts Available for Appropriation:	<u>2,833,443</u>	<u>2,833,443</u>	<u>2,397,092</u>	<u>(436,351)</u>
<b>Charges to Appropriation (Outflows):</b>				
Human Services	2,662,500	2,662,500	2,486,868	175,632
<b>Other Financing Uses:</b>				
Transfers Out	20,799	20,799		20,799
Total Charges to Appropriations	<u>2,683,299</u>	<u>2,683,299</u>	<u>2,486,868</u>	<u>196,431</u>
Prior Year Encumbrances Appropriated	<u>98,104</u>	<u>98,104</u>	<u>98,104</u>	
Ending Budgetary Balance	<u><u>\$248,248</u></u>	<u><u>\$248,248</u></u>	<u><u>\$8,328</u></u>	<u><u>(\$239,920)</u></u>

*See Accompanying Notes to Required Supplementary Information.*

**FINANCIAL CONDITION  
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS  
HARDIN COUNTY BOARD OF DEVELOPMENTAL DISABILITIES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance	\$3,446,546	\$3,446,546	\$3,446,546	
<b>Resources (Inflows):</b>				
Taxes	1,961,000	1,961,000	1,974,613	\$13,613
Intergovernmental	1,710,257	1,710,257	1,586,703	(123,554)
Charges for Services	6,500	6,500	5,502	(998)
Miscellaneous	59,000	59,000	53,340	(5,660)
Amounts Available for Appropriation	<u>7,183,303</u>	<u>7,183,303</u>	<u>7,066,704</u>	<u>(\$116,599)</u>
<b>Charges to Appropriation (Outflows):</b>				
Human Services	3,505,470	3,636,854	3,528,095	108,759
Total Charges to Appropriations:	<u>3,505,470</u>	<u>3,636,854</u>	<u>3,528,095</u>	<u>108,759</u>
Prior Year Encumbrances Appropriated	<u>24,117</u>	<u>24,117</u>	<u>24,117</u>	
Ending Budgetary Balance	<u><u>\$3,701,950</u></u>	<u><u>\$3,570,566</u></u>	<u><u>\$3,562,726</u></u>	<u><u>(\$7,840)</u></u>

*See Accompanying Notes to Required Supplementary Information.*

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011**

Budgetary presentations are included after the financial statement notes as 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 2011 and were considered routine.
7. Unencumbered appropriations lapse at year end. Contracts and purchase-type encumbrances outstanding at year-end carry their appropriations with them into the next year. Contracts and purchase-type encumbrances outstanding at year-end are recorded as expenditures on the budget basis of accounting.
8. The budgetary procedures described herein apply to all funds except the trust and agency funds.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011  
(Continued)**

**D. Encumbrances**

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

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

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

**F. Budgetary Basis of Accounting**

The budgetary basis as provided by law is based upon accounting for certain transactions on the basis of cash receipts, disbursements, and encumbrances. The Budgetary Comparison Schedule presented for the General Fund is prepared on the budget basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is that outstanding year end encumbrances are treated as expenditures (budget basis) rather than as an assigned fund balance (cash basis).

The adjustment necessary to convert the results of operations for the year on the budget basis to the cash basis are as follows:

	<b>Fund Balance</b>			
	<b>General</b>	<b>Pike Repair</b>	<b>Job and Family Services</b>	<b>HCBDD</b>
Budget Basis	\$2,106,106	\$1,286,440	\$ 8,328	\$3,562,726
Activity with Fiscal Agent*				314,588
Adjustments for Encumbrances	106,487	56,975	115,000	5,914
Funds Budgeted Elsewhere**	337,609			
Cash Basis	\$2,550,202	\$1,343,415	\$123,328	\$3,883,228

\*Represents net changes in activity from West Con recorded on the cash financial statements at year-end.

\*\* As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate funds are considered part of the General Fund on a cash basis. For the County this includes the Unclaimed Monies, Recorder's Equipment, Certificate of Title Administration, and Underground Storage Tank Funds.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
<i>(Passed through Ohio Department of Education)</i>				
National School Lunch Program	N/A	10.555		\$146
<i>(Passed through Ohio Department Job and Family Services)</i>				
Supplemental Nutrition Assistance Program	G-1011-11-5048/G-1213-11-0048	10.561	\$171,657	
Total United States Department of Agriculture			<u>171,657</u>	<u>146</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
<i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant's / State's Program				
Community Development Program	A-Z-08-093-1	14.228	76,494	
Community Development Program	B-F-10-1BD-1	14.228	143,191	
Community Development Program	B-C-10-1BD-1	14.228	19,759	
Community Development Program	B-C-08-1BD-1	14.228	25,600	
Community Development Program	B-F-09-1BD-1	14.228	53,500	
Total Community Development Block Grant's / State's Program			<u>318,544</u>	
HOME Investment Partnerships Program				
HOME Investment Partnerships Program	B-C-10-1BD-2	14.239	19,227	
HOME Investment Partnerships Program	B-C-08-1BD-2	14.239	3,700	
Total HOME Investment Partnerships Program			<u>22,927</u>	
Total U.S. Department of Housing and Urban Development			<u>341,471</u>	
<b>U.S. DEPARTMENT OF JUSTICE</b>				
<i>(Passed through Ohio Department of Youth Services)</i>				
Edward Byrne Memorial Justice Assistance Grant Program	10-JG-C01-T12442	16.738	37,572	
<i>(Passed through Ohio Criminal Justice Services)</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2010-JG-LLE-5345	16.738	15,000	
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>52,572</u>	
<i>(Passed through Ohio Department of Alcohol &amp; Drug Addiction Services)</i>				
ARRA - Edward Byrne Memorial Competitive Grant Program	99-3302-ARRA-T-11-1120	16.808	42,954	
Total United States Department of Justice			<u>95,526</u>	
<b>U.S. DEPARTMENT OF EDUCATION</b>				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education Grants to States	066027-6BSF-2011	84.027	26,849	
Special Education Preschool Grants	066027-PGS1-2011	84.173	10,904	
ARRA - Special Education Grants to States	N/A	84.391	17,608	
Total Special Education Cluster			<u>55,361</u>	
Total United States Department of Education			<u>55,361</u>	
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<i>(Direct Programs)</i>				
Drug Court Discretionary Grant Program	2010-DC-BX-0128	16.585	90,252	
Substance Abuse and Mental Health Services	1H79T1020938-1	93.243	128,037	
<i>(Passed through Ohio Department Job and Family Services)</i>				
Temporary Assistance for Needy Families (TANF) State Programs	G-1011-11-5048/G-1213-11-0048	93.558	668,819	
Medical Assistance Program	G-1011-11-5048/G-1213-11-0048	93.778	327,812	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Medical Assistance Program		93.778	24,337	
Total Medical Assistance Program			<u>352,149</u>	

**FINANCIAL CONDITION  
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements	Non-Cash Disbursements
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)</b>				
<i>(Passed through Ohio Department Job and Family Services)</i>				
Child Care Cluster:				
Child Care and Development Block Grant	G-1011-11-5048/G-1213-11-0048	93.575	12,065	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	G-1011-11-5048/G-1213-11-0048	93.596	<u>16,977</u>	
Total Child Care Cluster			<u>29,042</u>	
Social Services Block Grant	G-1011-11-5048/G-1213-11-0048	93.667	360,488	
<i>(Passed through Ohio Department of Developmental Disabilities)</i>				
Social Services Block Grant		93.667	<u>22,815</u>	
Total Social Services Block Grant			<u>383,303</u>	
<i>(Passed through Ohio Department of Job and Family Services)</i>				
Promoting Safe and Stable Families	G-1011-11-5048/G-1213-11-0048	93.556	17,558	
Stephanie Tubbs Jones Child Welfare Services Program	G-1011-11-5048/G-1213-11-0048	93.645	18,021	
Foster Care Title IV-E	G-1011-06-0581	93.658	27,297	
Foster Care Title IV-E	G-1011-11-5048/G-1213-11-0048	93.658	<u>206,156</u>	
Total - Foster Care Title IV-E			<u>233,453</u>	
Child Abuse and Neglect State Grants	G-1011-11-5048/G-1213-11-0048	93.590	3,942	
Chafee Foster Care Independence Program	G-1011-11-5048/G-1213-11-0048	93.674	777	
<i>(Passed through Ohio Department of Child Support Enforcement)</i>				
Child Support Enforcement	G-1011-11-5049/G-1213-11-0049	93.563	333,579	
<i>(Passed through Ohio Secretary of State)</i>				
Voting Access for Individuals With Disabilities_Grants to States	N/A	93.617	<u>1,050</u>	
Total United States Department of Human Services			<u>2,259,982</u>	
<b>U.S. ELECTIONS ASSISTANCE COMMISSION</b>				
<i>(Passed through the Ohio Secretary of State)</i>				
Help America Vote Act Requirements Payments	N/A	90.401	<u>899</u>	
Total United States Elections Assistance Commission			<u>899</u>	
<b>U.S. DEPARTMENT OF COMMERCE</b>				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Public Safety Interoperable Communications Grant Program	07-GS-H7-0053	11.555	<u>118,160</u>	
Total United States Department of Commerce			<u>118,160</u>	
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Emergency Management Performance Grants	10-EP-00-0003	97.042	8,487	
Emergency Management Performance Grants	EMW-11-EP-00003-S01	97.042	<u>7,910</u>	
Total Emergency Management Performance Grants			<u>16,397</u>	
Homeland Security Grant Program	09-SS-T9-0089	97.067	3,714	
Homeland Security Grant Program	10-SS-T0-0012	97.067	<u>42,994</u>	
Total Homeland Security Grant Program			<u>46,708</u>	
Total U.S. Department of Homeland Security			<u>63,105</u>	
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<i>(Passed through Ohio Department of Transportation)</i>				
Highway Planning and Construction	E091(201)	20.205	<u>97,325</u>	
Total U.S. Department of Transportation			<u>97,325</u>	
Total Federal Awards Expenditures			<u>\$3,203,486</u>	<u>\$146</u>

See accompanying notes to the schedule of federal awards expenditures.

**FINANCIAL CONDITION  
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)**

**Revolving Loan Program**

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

<u>Small Business Revolving Loans</u>	<u>Loan Activity and Balances</u>	<u>Cash Activity and Balances</u>
Beginning Balances January 1, 2011	\$193,776	\$104,053
Loan Principal Repayments / Cash Receipts	(13,630)	20,551
Loan and Grant Disbursements / Disbursements	-	(16,852)
Ending Balances December 31, 2011	<u>\$180,146</u>	<u>\$107,752</u>

See financial statement note 11 for additional loan activity details.

**NOTE 3 - DODD Medicaid MAC/WAC Adjustments**

During the calendar year, the County received a deferred payment from the Ohio Department of Developmental Disabilities (DODD) for the Medicaid program (CFDA # 93.778) in the amount of \$158. The deferred payment was for Medicaid Administrative Claiming (MAC) and Waiver Administrative Claiming (WAC) expenses the County incurred in prior reporting periods due to an increase of federal funding received by DODD to reimburse these expenses and also due to changes in the County's Medicaid Eligibility Rate (MER) for certain activity codes within MAC/WAC. This revenue is not listed on the County's Schedule of Federal Awards since the underlying expenses occurred in prior reporting periods

**NOTE 4 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL**

The Hardin County Department of Development Disabilities (Simon Kenton School) received federal assistance through the Donated Food Programs. 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.

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# Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated, August 27, 2012, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles and adopted the provisions of Government Accounting Standards Board Statement No 54, *Fund Balance and Governmental Fund Type Definitions*. Our report refers to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other auditors audited the financial statements of the component unit Hardin County Housing, Development, Inc. as described in our report on the County's financial statement. Other Auditors audited the financial statements of the component unit HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to this component unit. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that those auditors reported.

### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. Therefore, we cannot assure that we have identified all deficiencies, significant deficiencies or material weaknesses. However, as described in the accompanying schedule of findings we identified a certain deficiency in internal control over financial reporting, that we consider a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and timely corrected. We consider finding 2011-01 described in the accompanying schedule of findings to be a material weakness.

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### Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 2011-02.

We also noted certain matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated August 27, 2012.

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

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



**Dave Yost**  
Auditor of State

August 27, 2012



# Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

### Compliance

We have audited the compliance of Hardin County, (the County), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of Hardin County's major federal programs for the year ended December 31, 2011. 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 \$22,107 in federal awards which is not included in the County's Federal Awards Expenditure Schedule for the year ended December 31, 2011. 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, 2011, it was not subject to OMB Circular A-133 audit requirements.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the County's compliance with these 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 these requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

### Internal Control Over Compliance

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

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the County's management in a separate letter dated August 27, 2012

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



**Dave Yost**  
Auditor of State

August 27, 2012

**FINANCIAL CONDITION  
HARDIN COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2011**

**1. SUMMARY OF AUDITOR'S RESULTS**

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	Yes
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	CFDA # 14.228 – Community Development Block Grant CFDA # 93.558 – Temporary Assistance for Needy Families CFDA # 93.563 – Child Support Enforcement CFDA # 93.658 – Foster Care_Title IV-E CFDA # 93.667 – Social Services Block Grant
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	No

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

**FINDING NUMBER 2011-01**

**Material Weakness - Recording of Financial Activity**

The County should have procedures and/or controls to help assure that financial statements are presented in accordance with reporting standards. The County's 2011 financial statements had the following financial recording errors:

- The County's note disclosure stated that Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which introduces fund balance classifications and clarifies the existing governmental fund type definitions, had been implemented but that this implementation did not result in a change to fund balances. However, a restatement of January 1, 2011 net assets and fund balances were necessary to reclassify the Certificate of Title, Recorder's Equipment, Underground Storage Tank and Unclaimed Monies Funds. These fund reclassifications resulted in the beginning net assets being increased by \$12,053, the beginning General Fund balance being increased by \$225,369, and the beginning Other Governmental Funds being decreased by \$213,316.
- At year-end, the committed balance of Hardin County Board of Developmental Disabilities Fund in the amount of \$3,877,314 should have been classified as restricted. Also at year-end, \$237,822 of the Children's Services Fund balance was classified as committed instead of restricted.
- Pike Repair Fund charges for services receipts in the amount of \$54,274 were classified as miscellaneous revenue on fund statements. On the entity-wide statements, for governmental activities, these receipts were misclassified as general receipts, miscellaneous instead of program cash receipts - charges for services.
- Pike Repair fund intergovernmental receipts in the amount of \$92,860 were classified as miscellaneous revenue on fund statements. On the entity-wide statements, for governmental activities, these receipts were misclassified as general receipts, miscellaneous instead of program cash receipts – operating grants.
- In the other governmental funds column, Community Development Block Grant Fund intergovernmental receipts in the amount of \$168,116 were classified as licenses and permits on fund statements. On the entity-wide statements, for governmental activities, these receipts were misclassified as program cash receipts – charges for services instead of cash receipts – capital grants.
- In the other governmental funds column, juvenile court intergovernmental receipts in the amount of \$79,935 were classified as charges for services and juvenile court intergovernmental receipts in the amount of \$200,221 were recorded as miscellaneous receipts on the fund statements. On the entity-wide statements, for governmental activities, these receipts were misclassified as program cash receipts – charges for services and general receipts – miscellaneous instead of program cash receipts – operating grants.
- In the other governmental funds column, homestead and rollback (intergovernmental) receipts in the amount of \$62,969, from the sheriff levy fund were recorded as property tax receipts. On the entity-wide statements, for governmental activities, these receipts were misclassified as general receipts – property taxes levied for general purposes instead of program cash receipts – operating grants.
- On the entity-wide statements, for governmental activities, sheriff levy property tax receipts, in the amount of \$406,342, were classified as general receipts – property taxes levied for general purposes instead of being separately presented as sheriff levy property tax receipts.
- The cash and investments note indicated the County's investments were limited to Star Ohio accounts during 2011. However, at December 31, 2011, the County Treasurer also had investments in a Federal Farm Credit Bank Note in the amount of \$499,166 and in Federal Home Loan Bank Notes in the amount of \$1,500, 214.

**FINDING NUMBER 2011-01  
(Continued)**

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

Prior to submitting the annual compilation to the Auditor of State, the County Auditor should review the compilation to identify and correct reporting errors. Resources such as those found on the Auditor of State web site and others pertaining to financial reporting should be utilized when recording financial transactions and reviewing the annual financial statements.

**OFFICIALS RESPONSE:** We did not receive a response from Officials to this finding.

**FINDING NUMBER 2010-02**

**Noncompliance Citation**

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

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

To help provide the users with more meaningful and complete financial statements, the County should prepare its 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.

<b>3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS</b>
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None

**FINANCIAL CONDITION  
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
OMB CIRCULAR A -133 § .315 (b)  
DECEMBER 31, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <b>Explain:</b>
2010-01	Recording of Financial Activity – The County’s 2010 financial statements contained errors.	No	Repeated as finding 2011-01
2010-02	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – the County did not prepare financial statements in accordance with generally accepted accounting principles.	No	Repeated as Finding 2011-02
2010-03	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County JFS improperly charged rent expense to the TANF (CFDA #93.558) (questioned cost \$20,378),	No	Repeated in the Management Letter
2010-04	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County CSEA improperly charged rent expense to the Child Support Enforcement Grant (CFDA #93.563) (questioned cost \$17,636)	No	Repeated in the Management Letter
2010-05	2 CFR Part 225 App B. Section 37.c, 2 CFR Part 225 App. B Section 23.b, and Ohio Admin. Code Section 5101:9-4-11(A) - The County JFS improperly charged rent expense to the Social Services Block Grant (CFDA #93.667) (questioned cost \$11,184)	No	Repeated in the Management Letter





# Dave Yost • Auditor of State

## HARDIN COUNTY FINANCIAL CONDITION

### HARDIN COUNTY

#### CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
SEPTEMBER 27, 2012