



Dave Yost • Auditor of State

HARDIN COUNTY
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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

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

To the Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying cash-basis 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We did not audit the financial statement of components units, HARCO Industries, Inc. which represents 39 percent of the receipts of the component unit column, and Hardin County Housing Development, Inc. which represents 12 and 27 percent, respectively, of the assets/net position and receipts of the component unit column. Those statements, which were prepared in accordance with accounting principles generally accepted in the United States of America, were audited by another auditor whose report has been furnished to us. We have applied audit procedures on the adjustments to the financial statements of those component units, which conform those financial statements to the cash accounting basis. Our opinion, insofar as it relates to the amounts included for these component units, prior to the adjustments, is based solely on the reports of the other auditor. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement. The other auditor audited the financial statements of HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Government Auditing Standards*.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinions

In our opinion, based on our audit and the reports 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, 2016, and the respective changes in cash financial position thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

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. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Matters

Supplemental Information

Our audit was conducted to opine on the financial statements taken as a whole.

The County presents budgetary comparison schedules for the General, Pike Repair, Job and Family Services, and the Hardin County Board of Developmental Disabilities (HCBDD) funds. These schedules provide additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the Schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

We applied no procedures to Management's Discussion & Analysis as listed in the table of contents. Accordingly, we express no opinion or any other assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2018, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2018

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HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 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, 2016, 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 2016 are as follows:

Overall:

- Total net position increased \$882,721 with Governmental Activities increasing by \$1,072,922 and Business-Type Activities decreasing by \$190,201.
- Total cash receipts were \$33,124,762 in 2016. Total cash disbursements were \$32,394,141 in 2016.

Governmental Activities:

- Total program cash receipts were \$17,442,690 in 2016, while program cash disbursements were \$27,134,955.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$16,079,649 in 2016.

Business-Type Activities:

Program cash receipts were \$4,755,478 for Business Activities, while corresponding cash disbursements were \$5,107,086. Hardin Hills net cash position decreased by \$154,100, Waste Transfer Station net cash position decreased by \$25,987 and Sewers net cash position decreased by \$10,114.

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

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the 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.

HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED (Continued)

Statement of Net Position 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 2016?" The Statement of Net Position 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 position* and changes in that position. This change in net position 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 Position 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.

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.

HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

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

The County as a Whole

Recall that the Statement of Net Position provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Position for 2016 compared to the prior year:

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
	Assets:					
Equity in Pooled Cash & Cash Equivalents	\$17,534,731	\$16,663,133	\$1,114,967	\$1,305,168	\$18,649,698	\$17,968,301
Cash & Cash Equivalents Segregated Accounts	30,684	30,530			30,684	30,530
Cash With Fiscal Agent	1,009,667	808,497			1,009,667	808,497
Total Assets	\$18,575,082	\$17,502,160	\$1,114,967	\$1,305,168	\$19,690,049	\$18,807,328
Net Cash Position:						
Restricted	\$11,647,689	\$12,672,516			\$11,647,689	\$12,672,516
Unrestricted	6,927,393	4,829,644	1,114,967	1,305,168	8,042,360	6,134,812
Total Net Cash Position	\$18,575,082	\$17,502,160	\$1,114,967	\$1,305,168	\$19,690,049	\$18,807,328

Total assets increased by \$882,721 with governmental assets increasing by \$1,072,922 and Business-Type Assets decreasing by \$190,201.

Table 2 shows the changes in cash net position for year 2016:

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		2016	2015
	2016	2015	2016	2015	Total	Total
Cash Receipts:						
Program Cash Receipts:						
Charges for Services	\$4,860,196	\$4,870,055	\$4,755,478	\$4,563,657	\$9,615,674	\$9,433,712
Operating Grants and Contributions	11,182,134	11,349,246	0	0	11,182,134	11,349,246
Capital Grants and Contributions	1,400,360	753,018	0	0	1,400,360	753,018
Total Program Cash Receipts	17,442,690	16,972,319	4,755,478	4,563,657	22,198,168	21,535,976
General Cash Receipts and Transfers:						
Property Taxes						
General Purpose	1,737,368	1,681,700	0	0	1,737,368	1,681,700
911-Public Safety	294,816	283,756	0	0	294,816	283,756
Developmental Disabilities	2,113,445	2,032,264	0	0	2,113,445	2,032,264
Sheriff Levy	432,838	417,151	0	0	432,838	417,151

(Continued)

HARDIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		2016	2015
	2016	2015	2016	2015	Total	Total
Cash Receipts: (Continued)						
General Cash Receipts and Transfers: (Cont'd.)						
Sales Taxes	4,405,796	4,360,596	0	0	4,405,796	4,360,596
Proceeds of Notes	163,600	40,700	0	0	163,600	40,700
Grants and Entitlements Not Restricted	1,158,221	1,159,604	0	0	1,158,221	1,159,604
Interest	247,422	183,603	0	0	247,422	183,603
Proceeds from the Sale of Assets	8,209	12,194	0	0	8,209	12,194
Miscellaneous	355,572	415,453	9,307	13,069	364,879	428,522
Transfers/Advances (Net)	(152,100)	(1,000)	152,100	1,000	0	0
Total General Cash Receipts and Transfers	10,765,187	10,586,021	161,407	14,069	10,926,594	10,600,090
Total Cash Receipt and Transfers	28,207,877	27,558,340	4,916,885	4,577,726	33,124,762	32,136,066
Cash Disbursements:						
Program Cash Disbursements:						
General Government:						
Legislative and Executive	3,895,776	3,817,307	0	0	3,895,776	3,817,307
Judicial	2,283,021	2,183,702	0	0	2,283,021	2,183,702
Public Safety	3,482,248	3,202,831	0	0	3,482,248	3,202,831
Public Works	7,035,968	6,567,615	0	0	7,035,968	6,567,615
Health	157,351	145,915	0	0	157,351	145,915
Human Services	9,043,681	9,004,647	0	0	9,043,681	9,004,647
Conservation and Recreation	119,686	79,737	0	0	119,686	79,737
Economic Development	834,619	514,723	0	0	834,619	514,723
Debt Service:						0
Principal Retirement	266,788	71,188	0	0	266,788	71,188
Interest and Fiscal Charges	15,817	15,334	0	0	15,817	15,334
Proprietary Funds	0	0	5,107,086	4,719,654	5,107,086	4,719,654
Total Cash Disbursements	27,134,955	25,602,999	5,107,086	4,719,654	32,242,041	30,322,653
Net Increase (Decrease) in Net Cash Position	1,072,922	1,955,341	(190,201)	(141,928)	882,721	1,813,413
Net Cash Position at Beginning of Year	17,502,160	15,546,819	1,305,168	1,447,096	18,807,328	16,993,915
Net Cash Position at End of Year	\$18,575,082	\$17,502,160	\$1,114,967	\$1,305,168	\$19,690,049	\$18,807,328

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 16 percent, respectively, of cash receipts for governmental activities for the County in fiscal year 2016. Operating grants and contributions made up 40 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, operating grants and contributions; and capital grants and contributions. General cash receipts and transfers provide approximately 40 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 the County. Table 3 below shows the total and net cost of services (on a modified cash basis) for the County.

HARDIN COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)

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

	Total Costs of Services		Net Cost of Services	
	2016	2015	2016	2015
Cash Disbursements:				
Program Cash Disbursements:				
Legislative and Executive	\$3,895,776	\$3,817,307	\$2,870,733	\$2,818,099
Judicial	2,283,021	2,183,702	675,186	588,353
Public Safety	3,482,248	3,202,831	2,942,027	2,654,957
Public Works	7,035,968	6,567,615	417,128	357,434
Health	157,351	145,915	(55,541)	(72,545)
Human Services	9,043,681	9,004,647	2,400,682	1,987,522
Conservation and Recreation	119,686	79,737	119,686	78,337
Economic Development	834,619	514,723	39,759	132,001
Debt Service:				
Principal Retirement	266,788	71,188	266,788	71,188
Interest and Fiscal Charges	15,817	15,334	15,817	15,334
Total Cash Disbursements - Governmental	<u>27,134,955</u>	<u>25,602,999</u>	<u>9,692,265</u>	<u>8,630,680</u>
Business-Type Activities:				
Proprietary Funds	<u>\$5,107,086</u>	<u>\$4,719,654</u>	<u>\$351,608</u>	<u>\$155,997</u>

The County's Funds

Financial statement 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 \$29,979,040 and cash disbursements and other financing uses of \$28,906,118. The net change in the general fund balance for the year increased \$940,512 where the cash balance went from \$4,900,498 in 2015 to \$5,841,010 for 2016.

The Pike Repair, Job and Family Service and Hardin County Board of Developmentally Disabilities Funds had increases (decreases) in net position of \$(290,987), \$56,804, and \$(254,505), respectively.

All enterprise funds had total operating cash receipts and transfers in of \$4,916,885 and operating cash disbursements of \$5,107,086 resulting in a decrease in net position of \$190,201.

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 \$9,267,852; final budget estimates were \$7,750,000. Of this \$1,517,852 positive variance, an increase in sales taxes of \$555,796 was the largest operating variance.

Total actual disbursements and other financing uses on the budget basis (cash outlays and encumbrances) were \$8,318,434, which is \$1,008,691 less than the final appropriations. This excludes advances which are not appropriated.

HARDIN COUNTY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2016
UNAUDITED
(Continued)**

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, 2016 the County had \$318,367 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>2016</u>	<u>2015</u>
General Obligation/Special		
Assesment Bonds	\$58,100	\$301,700
OPWC Loan	260,267	119,855
Totals	<u>\$318,367</u>	<u>\$421,555</u>

Current Financial Related Activities

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

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

Contacting the County's Financial Management

This financial report is designed to provide our citizen's, taxpayers, and investors and creditors with a general overview of the County's cash basis finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information contact Michael T. Bacon, County Auditor at Hardin County, One Courthouse Square, Suite 250, Kenton, Ohio 43326-2398 or by e-mail at hcaudit@co.hardin.oh.us. Monthly financial reports for Hardin County are also available on the County's website at www.co.hardin.oh.us.

HARDIN COUNTY

STATEMENT OF NET POSITION - CASH BASIS
DECEMBER 31, 2016

	Primary Government			Component Unit Totals
	Governmental Activities	Business - Type Activities	Total	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$17,534,731	\$1,114,967	\$18,649,698	
Cash and Cash Equivalents in Segregated Accounts	30,684		30,684	\$178,876
Cash and Cash Equivalents with Fiscal Agent	1,009,667		1,009,667	
Total Assets	<u>18,575,082</u>	<u>1,114,967</u>	<u>19,690,049</u>	<u>178,876</u>
Net Position:				
Restricted for:				
Debt Service	19,277		19,277	
Capital Projects	92,286		92,286	
Other Purposes	11,536,126		11,536,126	
Unrestricted	6,927,393	1,114,967	8,042,360	178,876
Total Net Position	<u>\$18,575,082</u>	<u>\$1,114,967</u>	<u>\$19,690,049</u>	<u>\$178,876</u>

See accompanying notes to the basic financial statements.

HARDIN COUNTY

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General Government:				
Legislative and Executive	\$3,895,776	\$995,391	\$29,652	
Judicial	2,283,021	880,057	727,778	
Public Safety	3,482,248	251,768	288,453	
Public Works	7,035,968	2,072,447	3,940,893	\$605,500
Health	157,351	117,892	95,000	
Human Services	9,043,681	542,641	6,100,358	
Conservation and Recreation	119,686			
Economic Development	834,619			794,860
Debt Service:				
Principal Retirement	266,788			
Interest and Fiscal Charges	15,817			
Total Governmental Activities	<u>27,134,955</u>	<u>4,860,196</u>	<u>11,182,134</u>	<u>1,400,360</u>
Business Type Activities:				
Hardin Hills	4,257,266	4,093,859		
Waste Transfer Station	786,811	610,824		
Sewers	63,009	50,795		
Total Business Type Activities	<u>5,107,086</u>	<u>4,755,478</u>	<u>0</u>	
Total Primary Government	<u>32,242,041</u>	<u>9,615,674</u>	<u>11,182,134</u>	<u>1,400,360</u>
Component Units:				
Airport	163,215	125,840	64,024	
Harco Industries	298,129	109,679		
Hardin Housing	162,804	42,468		108,720
Total Component Units	<u>\$624,148</u>	<u>\$277,987</u>	<u>\$64,024</u>	<u>\$108,720</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 from Notes
 Grants and Entitlements not Restricted for Specific Purposes
 Contributions and Donations
 Interest
 Transportation Advance In
 Transfers In
 Transfers Out
 Miscellaneous
 Total General Receipts and Transfers

Changes in Net Cash Position

Net Cash Position Beginning of Year

Net Cash Position End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
(\$2,870,733)		(\$2,870,733)	
(675,186)		(675,186)	
(2,942,027)		(2,942,027)	
(417,128)		(417,128)	
55,541		55,541	
(2,400,682)		(2,400,682)	
(119,686)		(119,686)	
(39,759)		(39,759)	
(266,788)		(266,788)	
(15,817)		(15,817)	
<u>(9,692,265)</u>		<u>(9,692,265)</u>	
	(\$163,407)	(163,407)	
	(175,987)	(175,987)	
	(12,214)	(12,214)	
	<u>(351,608)</u>	<u>(351,608)</u>	
<u>(9,692,265)</u>	<u>(351,608)</u>	<u>(10,043,873)</u>	
			\$26,649
			(188,450)
			<u>(11,616)</u>
			<u>(173,417)</u>
1,737,368		1,737,368	
294,816		294,816	
2,113,445		2,113,445	
432,838		432,838	
4,405,796		4,405,796	
8,209		8,209	
163,600		163,600	
1,158,221		1,158,221	
			8,882
247,422		247,422	421
			100,050
	152,100		
(152,100)			
<u>355,572</u>	<u>9,307</u>	<u>364,879</u>	
<u>10,765,187</u>	<u>161,407</u>	<u>10,926,594</u>	<u>109,353</u>
1,072,922	(190,201)	882,721	(64,064)
<u>17,502,160</u>	<u>1,305,168</u>	<u>18,807,328</u>	<u>242,940</u>
<u>\$18,575,082</u>	<u>\$1,114,967</u>	<u>\$19,690,049</u>	<u>\$178,876</u>

HARDIN COUNTY

STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Pike Repair Fund	Job and Family Services Fund	HCBDD Fund	Other Governmental Funds	Total Governmental Funds
Assets:						
Equity in Pooled Cash and Cash Equivalents	\$5,841,010	\$888,898	\$382,796	\$3,116,852	\$7,305,175	\$17,534,731
Cash and Cash Equivalents in Segregated Accounts				30,684		30,684
Cash and Cash Equivalents with Fiscal Agent				1,009,667		1,009,667
Total Cash Assets	<u>5,841,010</u>	<u>888,898</u>	<u>382,796</u>	<u>4,157,203</u>	<u>7,305,175</u>	<u>18,575,082</u>
Fund Balances:						
Non-spendable	58,022					58,022
Committed	11,000				1,086,383	1,097,383
Restricted		888,898	382,796	4,157,203	6,218,792	11,647,689
Assigned	1,474,556					1,474,556
Unassigned	4,297,432					4,297,432
Total Cash Fund Balances	<u>\$5,841,010</u>	<u>\$888,898</u>	<u>\$382,796</u>	<u>\$4,157,203</u>	<u>\$7,305,175</u>	<u>\$18,575,082</u>

See accompanying notes to the basic financial statements.

HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Pike Repair Fund	Job and Family Services	HCBDD Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Property Taxes	\$1,737,368			\$2,113,445	\$727,654	\$4,578,467
Intergovernmental	1,158,221	\$3,939,893	\$2,583,262	2,433,882	3,625,457	13,740,715
Investment Income	243,132	4,290				247,422
Licenses and Permits	1,492				176,432	177,924
Fines and Forfeitures	15,395	25,563			355,246	396,204
Special Assessments					1,126,272	1,126,272
Charges for Services	1,244,600	535,420	165,684	97,215	1,116,877	3,159,796
Sales Tax	4,405,796					4,405,796
Miscellaneous	124,802	127,772	1,756	683	100,559	355,572
Total Receipts	<u>8,930,806</u>	<u>4,632,938</u>	<u>2,750,702</u>	<u>4,645,225</u>	<u>7,228,497</u>	<u>28,188,168</u>
Cash Disbursements:						
Current:						
General Government:						
Legislative and Executive	3,445,589				450,187	3,895,776
Judicial	1,510,948				772,073	2,283,021
Public Safety	2,306,830				1,175,418	3,482,248
Public Works	29,496	5,064,337			1,942,135	7,035,968
Health					157,351	157,351
Human Services	297,388		2,693,898	4,901,484	1,150,911	9,043,681
Conservation and Recreation	92,188				27,498	119,686
Economic Development and Assistance					834,619	834,619
Debt Service:						
Principal Retirement					266,788	266,788
Interest and Fiscal Charges					15,817	15,817
Total Disbursements	<u>7,682,439</u>	<u>5,064,337</u>	<u>2,693,898</u>	<u>4,901,484</u>	<u>6,792,797</u>	<u>27,134,955</u>
Cash Receipts Over (Under) Cash Disbursements	<u>1,248,367</u>	<u>(431,399)</u>	<u>56,804</u>	<u>(256,259)</u>	<u>435,700</u>	<u>1,053,213</u>
Other Financing Sources (Uses):						
Proceeds from Sale of Capital Assets	5,043			1,754	1,412	8,209
Proceeds of Notes		150,000			13,600	163,600
Advances In	515,000				222,687	737,687
Advances Out	(212,687)				(525,000)	(737,687)
Transfers In					881,376	881,376
Transfers Out	(615,211)	(9,588)			(408,677)	(1,033,476)
Total Other Financing Sources (Uses)	<u>(307,855)</u>	<u>140,412</u>		<u>1,754</u>	<u>185,398</u>	<u>19,709</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	<u>940,512</u>	<u>(290,987)</u>	<u>56,804</u>	<u>(254,505)</u>	<u>621,098</u>	<u>1,072,922</u>
Cash Fund Balances - Beginning of Year	<u>4,900,498</u>	<u>1,179,885</u>	<u>325,992</u>	<u>4,411,708</u>	<u>6,684,077</u>	<u>17,502,160</u>
Cash Fund Balances - End of Year	<u>\$5,841,010</u>	<u>\$888,898</u>	<u>\$382,796</u>	<u>\$4,157,203</u>	<u>\$7,305,175</u>	<u>\$18,575,082</u>

See accompanying notes to the basic financial statements.

HARDIN COUNTY

STATEMENT OF FUND NET POSITION - CASH BASIS
ENTERPRISE FUNDS
DECEMBER 31, 2016

	<u>Hardin Hills</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$1,015,473	\$99,494	\$1,114,967
Net Position:			
Unrestricted	<u>\$1,015,473</u>	<u>\$99,494</u>	<u>\$1,114,967</u>

See Accompanying Notes to the Basic Financial Statements.

HARDIN COUNTY

STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
 FUND NET POSITION - CASH BASIS
 ENTERPRISE FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Hardin Hills</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>
Operating Cash Receipts:			
Charges for Services	\$4,093,859	\$661,619	\$4,755,478
Other Operating Receipts	9,307		9,307
Total Operating Cash Receipts	<u>4,103,166</u>	<u>661,619</u>	<u>4,764,785</u>
Operating Cash Disbursements:			
Personal Services	2,338,414	127,371	2,465,785
Fringe Benefits	718,991	56,372	775,363
Contractual Services	209,839	181,958	391,797
Materials and Supplies	476,437	38,801	515,238
Other Operating Expenses	487,103	303,830	790,933
Capital Outlay	26,482	141,488	167,970
Total Operating Cash Disbursements	<u>4,257,266</u>	<u>849,820</u>	<u>5,107,086</u>
Operating Income (Loss)	(154,100)	(188,201)	(342,301)
Transfer In		152,100	152,100
Changes in Net Position	<u>(154,100)</u>	<u>(36,101)</u>	<u>(190,201)</u>
Net Position - Beginning of Year	<u>1,169,573</u>	<u>135,595</u>	<u>1,305,168</u>
Net Position - End of Year	<u><u>\$1,015,473</u></u>	<u><u>\$99,494</u></u>	<u><u>\$1,114,967</u></u>

See Accompanying Notes to the Basic Financial Statements.

HARDIN COUNTY

STATEMENT OF FIDUCIARY NET POSITION - CASH BASIS
 FIDUCIARY FUNDS
 DECEMBER 31, 2016

	<u>Private Purpose Trust</u>	<u>Agency</u>
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	\$295,621	\$2,831,549
Cash and Cash Equivalents in Segregated Accounts		161,798
Total Cash Assets	<u>295,621</u>	<u>2,993,347</u>
Net Position:		
Retricted: Spendable	109,340	
Restricted: Non-Spendable	186,281	
Unrestricted: Undistributed Assets		2,993,347
Total Net Position	<u>\$295,621</u>	<u>\$2,993,347</u>

See Accompanying Notes to the Basic Financial Statements.

HARDIN COUNTY

STATEMENT OF CHANGE IN FIDUCIARY NET POSITION
CASH BASIS
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Private Purpose Trust</u>
Cash Additions:	
Contributions	\$19,392
Investment Income	1,596
Total Cash Additions	<u>20,988</u>
Cash Deductions:	
Payments in Accordance with Trust Agreements	17,491
Total Cash Deductions	<u>17,491</u>
Change in Net Position	3,497
Net Position - Beginning of Year	<u>292,124</u>
Net Position - End of Year	<u><u>\$295,621</u></u>

See Accompanying Notes to the Basic Financial Statements.

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HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016

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, as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units", as amended by GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34. The combined financial statements include all funds, agencies, boards, and commissions for which the 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 the 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 Jason Seggerson, CEO of HARCO Industries, Inc., 705 Ida Street, Kenton, Ohio 43326.

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

On July1, 2016, HARCO, Inc. became privatized which eliminated the control of the Hardin County Board of Developmental Disabilities over HARCO, Inc. The adult sheltered workshop industry is changing nationally due to litigation, legislation, and competition in the private sector. See Note 15 for addition information.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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 the 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.

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 the County.

Complete financial statements can be obtained from Tammy Sherman, 20533 County Road 120, Kenton, Ohio.

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 Renee Place, Executive Director, 315 East Court, Sidney, Ohio 45365.

Hardin Regional Planning Commission:

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

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

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Workforce Investment Act

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

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

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

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

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, the 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 the County. Members of the council include the Hardin County Board of Developmental Disabilities, Mental Health Board, Hardin County Child Support Enforcement Agency, Alcohol, Drug and Mental Health Service Board, Head Start, Kenton-Hardin County Board of Health, Kenton City Schools, Hardin County Human Services, Hardin County Educational Service Center and the Ohio Department of Youth Services. The operation of the 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 43326-2398.

Logan County Juvenile Detention Center

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

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

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

C. Joint Ventures:

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

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

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

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

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

Complete financial statements can be obtained from the Allen County Auditor, Rhonda D. Eddy-Steinecker, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio 45802-1243.

Multi County Correctional Center

The Multi County 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 or his designee 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, 2016. Financial information can be obtained from the Marion County Auditor, Joan M. Kasotis, 222 West Center Street, Marion, Ohio 43302.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

CORSA is an Ohio nonprofit corporation established by forty-six counties in Ohio, for the purpose of establishing the CORSA Insurance/Self-Insurance Program. Member counties agree to jointly participate in coverage of losses and pay all contributions necessary for the specified insurance coverage provided by CORSA. This coverage includes comprehensive general liability, automobile liability, certain property insurance and public officials' errors and omissions liability insurance.

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

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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

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

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

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.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

The Library Board is made up of seven members, four are appointed by the Commissioners of the County and three are appointed by the Common Pleas Court Judge of the 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 information can be obtained from Shirley Barrett, Fiscal Officer, 325 East Columbus Street, Kenton, Ohio 43326

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 the 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. Financial information can be obtained from Michael T. Bacon, Hardin County Auditor, One Courthouse Square, Kenton, Ohio 43326-2398.

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. Financial information can be obtained from Michael T. Bacon, Hardin County Auditor, One Courthouse Square, Suite 250, Kenton, Ohio 43326-2398.

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.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

Although required by Ohio Administrative Code Section 117-2-03 (B) 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.

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 position 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 position 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 position 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.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The focus of governmental and enterprise fund financial statements is on major funds rather than fund type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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

3. Fund Accounting

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

4. Governmental Funds

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

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

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

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

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

The other governmental funds of the County account for grants and other resources 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.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

6. Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. The County's private-purpose trust funds are amounts held in trust for individuals served by Hardin 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 Position-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 2016, investments were limited to STAR Ohio, Federal Farm Credit Bank Note, Federal Home Loan Bank Bond, Federal Home Loan Mortgage Note, Federal National Mortgage Association Note, and Certificates of Deposit. The County records all its investments at cost.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2016. 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, 2016.

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 2016 amounted to \$243,132, which includes \$185,110 assigned from other County funds. For 2016, total interest receipts amounted to \$249,018 in which \$243,132 was recorded in the General Fund; \$4,290 is recorded in Pike Repair Fund; and \$1,596 was recorded in the 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 11 and 12 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.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Intergovernmental Revenues

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

The County's Department of Job and Family Services (JFS) distributes federal food stamps to entitled recipients within the County. The receipt and issuance of these stamps have the characteristics of federal "grants"; however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately \$4,455,500 of federal food stamps during 2016.

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 in the use of resources are either externally imposed by creditors (from external resource providers), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (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 is not considered to be legally enforceable.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, and the amount of subsequent year's appropriations in excess of subsequent years estimated receipts.

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 Position

Net cash position consists of cash receipts and balances reduced by cash disbursements for the current year. Net position is 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 position restricted for maintenance and improvement of roads, for public assistance, disabled individuals, health services, and grants. The County did not have net position 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. In the Fiduciary Funds non-spendable net position represents the principal of trust funds that cannot be spent.

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.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Pensions

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

3. ACCOUNTABILITY AND COMPLIANCE

Accountability and 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, deferred outflows/inflows of resources, liabilities, net position/fund balances, and disclosures that, while material, cannot be determined at this time. The County can be fined and various other administrative remedies may be taken against the County.

4. DEPOSITS AND INVESTMENTS

Monies held by the County are classified by State statute 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.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

4. DEPOSITS AND INVESTMENTS (Continued)

4. Bond and other obligations of the State of Ohio or its political subdivisions provided that such political subdivisions are located wholly or partly within the County;
5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities described in division (1) or (2) or cash, or both cash and securities, equal value for equal value;
9. High grade commercial paper and bankers acceptances in an amount not to exceed up to twenty five percent of the County's total portfolio and corporate notes not to exceed up to fifteen percent of the County's total average portfolio; and

Reverse repurchase agreements 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, \$17,849,656 of the County's bank balance of \$18,832,138 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.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

4. DEPOSITS AND INVESTMENTS (Continued)

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, 2016, the County's investments were as follows:

Description	Carrying Value	Investment Maturities (in Years)			
		Fair Value			
		Less than 1	1-2	3-5	More Than 5
Federal Home Loan Bank Bond	\$1,000,000	\$0	\$0	\$1,000,000	\$0
Federal Home Loan Mortgage Corp Note	500,000	0	0	500,000	0
Federal National Mortgage Association Note	500,000	0	0	500,000	0
STAR Ohio	1,423,387	1,423,387	0	0	0
Total	\$3,423,387	\$1,423,387	\$0	\$2,000,000	\$0

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

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

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

The County has no investment policy dealing with investment custodial risk beyond the requirements in 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. All or 100% of the County's portfolio may be invested in STAR Ohio.

Description	Fair Value	Percentage of Portfolio
Federal Home Loan Bank Bond	\$1,000,000	29.21%
Federal Home Loan Mortgage Corp Note	500,000	14.61%
Federal National Mortgage Association Note	500,000	14.61%
STAR Ohio	1,423,387	41.57%
Total	\$3,423,387	100.00%

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

5. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and public utility 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 and in between with a triennial update. Public utility real property is assessed at 35 percent of true value and public utility personal property is currently assessed at varying percentages of true value. The last reappraisal was completed in 2011 for taxes payable in 2012.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2016, was \$12.00 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$12.00 per \$1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was \$8.30 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$11.61 per \$1,000 of assessed valuation for all other real property. Real property owners' tax bills are further reduced by homestead and rollback deductions, when applicable. The amount of these homestead and rollback reductions is reimbursed to the County by the State of Ohio.

The assessed value upon which the 2016 taxes were collected was \$695,683,920.

Real Property - 2016 Valuation:	
Residential - 2015 Valuation	\$267,953,950
Agricultural - 2015 Valuation	334,443,570
Commercial	37,711,490
Industrial	22,253,820
Public Utilities	410,070
Tangible Personal Property - 2015 Valuation:	
Public Utilities	32,911,020
Total Valuation	<u><u>\$695,683,920</u></u>

Real property taxes for tax year 2016 are payable annually or semi-annually. If paid annually, payment is due February 12, 2016. If paid semi-annually, the first payment is due February 12, 2016 with the remainder payable by July 9, 2016. 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. PROPERTY TAX ABATEMENTS

The County enters into property tax abatement agreements with local business pursuant to Ohio Revised Code Section 5709: Taxable Property – Exemptions. Under this section, localities may grant property tax abatements for the purpose of attracting or retaining businesses with their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the County.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

6. PROPERTY TAX ABATEMENTS (Continued)

For the year ended December 31, 2016, the County abated taxes totaling \$45,748 for the following tax abatement agreements.

An agreement was entered into with the County, the Village of Ada, and Ada Technologies, Inc. in July 2006. The agreement abates 100% of property taxes on the increase taxable value for 15 years beginning January 1, 2007 and ending on December 31, 2021. The increase taxable value consists of new construction of 50,000 square feet and requires the hiring of thirty-five additional employees. The additional annual payroll was estimated at \$672,838. This year the tax saving was \$28,173.

An agreement was entered into with the County, Buck Township, and Robinson Fin Machines, Inc. in July 2006. This agreement abates 100% of property taxes on the increase taxable value for 15 years beginning January 1, 2007 and ending on December 31, 2022. The increase taxable value consists of new construction of a facility for warehousing of 9,400 square feet and manufacturing of 4000 square feet and requires the hiring of three additional employees. The additional annual payroll was estimated at \$80,000. This year the tax savings was \$6,921.

An agreement was entered into with the County, the Village of Ada and Harvest Pride Tortillas & Chips, LLC. in August 2012. This agreement abates 75% property tax on the increase taxable value for 10 years beginning January 1, 2014 and ending December 31, 2023. This increase taxable value consists of new construction of \$850,000 of 20,000 square feet for the consolidation of its operations and requires the hiring of fifteen additional employees. This year the tax savings was \$10,654.

7. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2016 amounted to \$4,405,796 and is recorded in the General Fund.

8. SHORT TERM DEBT

There is no new short-term debt in 2016.

9. LEASE-PURCHASE AGREEMENTS

In May 2015, the County entered into a lease-purchase financing agreement with Ford Motor Credit Company to finance the acquisition of five sheriff cruisers at a cost of \$110,005 at 6.00% interest. The Lease requires the County to make payments of principal and interest each May 22 beginning May 22, 2015 and ending May 22, 2017. The County 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, 2016:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$36,627	\$2,198	\$38,825
Total	\$36,627	\$2,198	\$38,825

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. LONG TERM DEBT

The County's long-term debt at year-end consisted of special assessment bonds 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.

The County's long term debt transactions for the year ended December 31, 2016, are summarized below:

	Debt Principal Outstanding 01/01/16	Debt Principal Issued	Debt Principal Retired	Debt Principal Outstanding 12/31/16
Special Assessment Bonds with Government Commitment	\$301,700	\$13,600	\$257,200	\$58,100
OPWC Loans	119,855	150,000	9,588	260,267
Total	<u>\$421,555</u>	<u>\$163,600</u>	<u>\$266,788</u>	<u>\$318,367</u>

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.

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 July 2008.

In 2009 a Special Assessment taxable bonds was issued for the purpose of reimbursing the cost of construction improvements to a landfill slurry wall in the amount of \$500,000. The \$500,000 Landfill Slurry Wall bonds are scheduled for repayment over a ten year period that began in April 2010. The bonds were paid off in 2016.

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.

In 2013, the County issued Special Assessment taxable bonds. They were for the purpose of paying the cost of constructing improvements to Dulin Ditch in the amount of \$10,700 and Moore Ditch in the amount of \$40,000.

In 2015, the County issued Special Assessment taxable bonds. These were for the purpose of paying the cost of constructing improvement to Steinle Ditch in the amount of \$22,100, McClaren Tri Ditch in the amount of \$12,300 and Jones Ditch in the amount of \$6,300.

In 2016, the County issued Special Assessment taxable bonds in the amount of \$13,600. These were for the purpose of paying the cost of constructing improvement to Karg Ditch in the amount of \$7,700, John Hancock Ditch in the amount of \$2,768, Osborn Ditch in the amount of \$2,509; Meyer Ditch in the amount of \$78 and Lonas Ditch in the amount of \$545.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. LONG TERM DEBT (Continued)

During 2016 the County completed a road project which was financed in the amount of \$150,000 with an OPWC loan to the County. The loan is scheduled for repayment over a ten year period.

The following are descriptions of the bonds and loans that existed in 2016 and were outstanding as of December 31, 2016:

Description	Issue Date	Issue Rate %	Original Amount	2016 Amount Paid	Outstanding Amount	Maturity Date
Special Assessment Bonds:						
Landfill Slurry Wall	2009	4.99%	\$500,000	\$229,600		2019
Taylor Creek	2011	5.50%	17,300	1,700	\$5,100	2019
Dulin Ditch	2013	4.60%	10,700	1,100	1,000	2018
Moore Ditch	2013	2.34%	40,000	7,500	15,000	2018
Steinle Ditch	2015	2.25%	22,100	6,900	15,200	2020
McClaren Tri Ditch	2015	3.00%	12,300	8,300	4,000	2020
Jones Ditch	2015	3.00%	6,300	2,100	4,200	2020
Meyer Ditch	2016	3.00%	78		78	2021
Karg Ditch	2016	3.00%	7,700		7,700	2021
John Hancock Ditch	2016	3.00%	2,768		2,768	2021
Osborn Ditch	2016	3.00%	2,509		2,509	2021
Lonas Ditch	2016	3.00%	545		545	2021
Total Special Assessment Bonds				\$257,200	\$58,100	
Loans:						
OPWC Loan	2008	0.00%	191,768	9,588	110,267	2028
OPWC Loan	2016	0.00%	150,000		150,000	2026
Total Loans				9,588	260,267	
Total Bonds and Loans				\$266,788	\$318,367	

The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2016, including interest payments of \$3,385 are as follows:

	Special Assessment Bonds With Government Commitment		OWPC Loans
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2017	\$23,750	\$1,673	\$24,588
2018	18,150	991	24,588
2019	8,550	478	24,588
2020	6,350	204	24,588
2021	1,300	39	24,588
2022-2026			122,940
2027-2028			14,387
Total	\$58,100	\$3,385	\$260,267

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

10. LONG TERM DEBT (Continued)

On March 6, 2014, the County advanced \$200,000 from the General Fund to the Dog & Kennel Fund for the purpose of constructing a new building for the dog pound. On November 20 2014, \$120,000 was advanced back to the General fund from the Dog & Kennel fund. On May 12, 2015 the County Commissioners approved the remaining \$80,000 plus 2% interest to be repaid by the Dog & Kennel fund with annual payments made each February until the advance is repaid. The annual requirements to repay the advance balance of \$65,000 outstanding as of December 31, 2016, including interest payment of \$3,500 are as follows:

Dog & Kennel Fund Advance Repayment Schedule		
	<u>Advance Payment</u>	<u>Interest</u>
2017	\$15,000	\$1,300
2018	15,000	1,000
2019	15,000	700
2020	15,000	400
2021	5,000	100
Total	<u>\$65,000</u>	<u>\$3,500</u>

Net General Obligation Debt- The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County. The Code further provides that the total voted and 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, 2016 are an overall debt margin of \$5,700,910 and an u-voted debt margin of \$69,568.

11. DEFINED BENEFITS PENSION PLAN

A. Net Pension Liability

Pensions are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions are provided to an employee on a deferred payment basis as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the County's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The Ohio Revised Code limits the County's obligation for this liability to annually required payments. The County cannot control benefit terms or the manner in which pensions are financed; however, the County does receive the benefit of employees' services in exchange for compensation, including pension.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

11. DEFINED BENEFITS PENSION PLAN (Continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer because (1) they benefit from employee services, and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from the employer (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within thirty years. If the amortization period exceeds thirty years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

B. Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit plan with defined contribution features. While members (e.g. County employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information including requirements for reduced and unreduced benefits).

Group A

Eligible to retire prior to January 7, 2013, or five year after January 7, 2013:

State and Local:

Age and Service Requirements: Age 60 months of service credit or Age 55 with 25 years of service credit.

Formula: 2.2 of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.

Public Safety:

Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit.

Law Enforcement:

Age and Service Requirements: Age 52 with 15 years of service credit.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

11. DEFINED BENEFITS PENSION PLAN (Continued)

Public Safety and Law Enforcement:

Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service year in excess of 25 years.

Group B

20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013:

State and Local:

Age and Service Requirements: Age 60 months of service credit or Age 55 with 25 years of service credit.

Formula: 2.2 of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years.

Public Safety:

Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit.

Law Enforcement:

Age and Service Requirements: Age 52 with 15 years of service credit.

Public Safety and Law Enforcement:

Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service year in excess of 25 years.

Group C

Members not in other groups and members hired on or after January 7, 2013:

State and Local:

Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit.

Formula: 2.2 of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years.

Public Safety:

Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit.

Law Enforcement:

Age and Service Requirements: Age 48 with 25 years of service credit Age 56 with 15 years of service credit.

Public Safety and Law Enforcement:

Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service year in excess of 25 years.

Final average salary (FAS) represents the average of the three highest years of earning over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. DEFINED BENEFITS PENSION PLAN (Continued)

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for twelve months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index capped at 3 percent.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows.

	<u>State Local</u>	<u>Public Safety</u>	<u>Law Enforcement</u>
2016 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee	10.0%	*	**
2016 Actual Contribution Rates			
Employer Pension	12.0%	16.1%	16.1%
Postemployment Health Care Benefits	2.0%	2.0%	2.0%
Total Employer	<u>14.0%</u>	<u>18.1%</u>	<u>18.1%</u>
Employee	<u>10.0%</u>	<u>12.0%</u>	<u>13.0%</u>

* This rate is determined by OPERS' Board and has no maximum rate established by the ORS.

** This rate is determined by OPERS' Board but is limited by the ORS to not more than 2 percent greater than the public safety rate.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The County's contractually required contributions were \$1,664,867 for 2016.

C. Net Pension Liability

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share.

Proportion of Net Pension Liability	
Current Measurement Date	0.0087473%
Prior Measurement Date	0.0090344%
Changes in Proportional Share	<u>-0.0002871%</u>
Proportionate Share of Net Pension Liability	19,863,631

D. Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. DEFINED BENEFITS PENSION PLAN (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provide at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2015, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuations are presented below.

Wage inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05% including wage inflation
Pre-January 7, 2013, Retirees	3 percent simple
Post-January 7, 2013, Retirees	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	8 percent
Actuarial Cost Method	individual entry age

Monthly rates were based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

The long-term rate of return on defined benefit investment assets was determined using a building block method in which best estimate ranges of expected future real rates of return are developed for each major class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage adjusted for inflation.

OPERS manages investment in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan., the annuitized accounts of the Member-Directed Plan, and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time and benefits payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money-weighted rate of return, net of investment expenses, for the Defined Benefit portfolio was .4 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefits pension plans.

The table below displays the board approve asset allocation policy for 2015 and the long-term expected real rates of return.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. DEFINED BENEFITS PENSION PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00%	2.31%
Domestic Equities	20.70%	5.84%
Real Estate	10.00%	4.25%
Private Equity	10.00%	9.25%
International Equities	18.30%	7.40%
Other Investment	18.00%	4.59%
Total	100.00%	5.27%

Discount Rate – The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employees are made at the statutorily required rates as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate –The following table presents the County’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate.

<u></u>	<u>1% Decrease 7.0%</u>	<u>Current Discount Rate 8.0%</u>	<u>1% Increase 9.0%</u>
County's Proportionate Share of the Net Pension Liability	\$30,346,133	\$19,863,631	\$11,128,315

E. State Teachers Retirement Systems

Net Pension Liability

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability represents the Hardin County Board of Developmental Disabilities (HCBDD) proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

11. DEFINED BENEFITS PENSION PLAN (Continued)

Ohio Revised Code limits the HCBDD's obligation for this liability to annually required payments. The HCBDD's cannot control benefit terms or the manner in which pensions are financed; however, the HCBDD does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

Plan Description - HCBDD's licensed teachers and other certified faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a publicly available stand-alone financial report that includes financial statements, required supplementary information, and detailed information about STRS' fiduciary net position. The report can be obtained by writing to STRS, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling (888) 227-7877, or by visiting the STRS website at www.strsoh.org

New members have a choice of three retirement plan options; a Defined Benefit Plan (DBP), a Defined Contribution Plan (DCP) and Combined Plan (CP). Benefits are established by the Ohio Revised Code Chapter 3307. The DBP Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013 or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement increased effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DCP allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 CP offers features of both the DBP and the DCP. In the CP, 11 percent of the 12 percent member rate goes to the DCP and 1 percent goes to the DBP. Member contributions to the DCP are allocated among investment choices by the member and contributions to the DBP from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DBP. The defined benefit portion of the CP payment is payable to a member on or after age sixty with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age fifty.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)

11. DEFINED BENEFITS PENSION PLAN (Continued)

New members who choose the DCP or CP will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's CP account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB Statement No. 68 reporting purposes.

A DBP or CP member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DCP who become disabled are entitled only to their account balance. If a member of the DCP dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, plan members were required to contribute 13 percent of their annual covered salary. Effective July 1, 2016, the statutory maximum employee contribution rate was increased 1 percent to 14 percent. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2016 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$56,415 for fiscal year 2016.

Net Pension Liability Portion

The net pension liability was measured as of June 30, 2015 the, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hardin County Board of DD's proportion of the net pension liability was based on the Hardin County Board of DD's share of contributions to the pension plan relative to the projected contributions of all participating entities. Following is information related to the proportionate share:

	<u>STRS</u>
Proportion of Net Pension Liability	
Prior Measurement Date	0.00362360%
Proportion of the Net Pension Liability	
Current Measurement Date	<u>0.00382973%</u>
Change in Proportionate Share	-0.00020613%
Proportionate Share of the	
Net Pension Liability	1,281,925

F. Actuarial Assumptions - STRS

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. DEFINED BENEFITS PENSION PLAN (Continued)

Inflation	2.75%
Salary Increases	12.75% at age 20 to 2.75% at age 70
Investment Rate of Return	7.75%, net of investment expenses
Cost of living adjustment (COLA)	2% simple applied as follows: for members retiring before Aug. 1, 2013. 2% per year; for members retiring Aug. 1, 2013, or later, 2% COLA paid on the fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years; one year set back from age 80 through 89 and no set back from age 90 and above.

Actuarial assumptions used in the June 30, 2015, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

STRS' investment consultant develops best estimates for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Nominal Rate of Return*</u>
Domestic Equity	31.00 %	8.00
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	100.00 %	

* 10 year annualized geometric nominal returns include the real rate of return and inflation of 2.5 percent.

Discount Rate - The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2015.

Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2015.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

11. DEFINED BENEFITS PENSION PLAN (Continued)

Sensitivity of the Hardin County Board of DD's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the Hardin County Board of DD's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the Hardin County Board of DD's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
County's Proportionate Share of the Net Pension Liability	\$1,703,576	\$1,281,925	\$926,240

G. 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, 2016, none have elected Social Security.

12. POST-EMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (OPERS)

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The traditional 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.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The Ohio Revised Code permits, but does not require, OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

HARDIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2016 (Continued)

12. POST-EMPLOYMENT BENEFITS (Continued)

OPER issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml> by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614)222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides 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 OPERS health care.

Employer contribution rates are expressed as percentage of the earnable salary of active members. In 2016, state and local employers contributed at a rate of 14.0% of earnable salary and Public Safety and Law Enforcement employers contributed 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The County's contribution allocated to fund postemployment health care benefits for the years ended December 31, 2016, 2015, and 2014 was \$237,838, \$235,300, \$231,872.

B. State Teachers Retirement System

Plan Description – The Hardin County Board of Developmental Disabilities (HCBDD) participates in a cost-sharing multiple-employer defined benefit health care plan administered by the State Teachers Retirement System of Ohio (STRS) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer the plan. Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. The Plan is included in the STRS financial report which can be obtained by visiting the STRS website at www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the health care plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the health care plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for postemployment health care may be deducted from employer contributions. For 2016, and 2015, STRS did not allocate any employer contributions to postemployment health care. For 2014, 1 percent of covered payroll was allocated to postemployment health care. The HCBDD's contribution for health care for the years ended December 31, 2016, 2015, and 2014 were \$0, \$0, and \$3,634 respectively. The full amount has been contributed for all three years.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

13. REVOLVING LOANS

The 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 2016 and balances outstanding at December 31, 2016 were as follows:

Business:	Rate	Maturity Year	Beginning Principle 1/1/2016	Principal Paid 2016	Principal Outstanding 12/31/2016
Plastic Systems	4.75%	2017	\$56,838		\$56,838
Dairy Barn	4.00%	2029	29,066	\$1,593	27,473
Laugh and Learn Day Care	5.00%	2022	41,665	5,954	35,711
Total Principal Paid and Outstanding			<u>\$127,569</u>	<u>\$7,547</u>	<u>\$120,022</u>

14. 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 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:

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
Ohio Stop Gap Employer' Liability	1,000,000
Employee Benefits Liability	1,000,000
Cyber Liability	1,000,000
Privacy Response Expenses	500,000
Attorney Disciplinary Proceedings	25,000
Claims Expenses	250,000
Declaratory, Injunctive or Equitable Relief	25,000
Excess Liability	5,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	90,150,747
Business Income/Extra Expense	1,000,000
Crime	1,000,000
Equipment Breakdown - Service Interruption	100,000,000
Gross Earnings/Extra Expense	2,500,000
Public Officials Liability	1,000,000
Uninsured/Underinsured Motorists	250,000

(Continued)

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

14. RISK MANAGEMENT (Continued)

General Liability/Medical Professional Liability for County Home	3,000,000
Sewer Lines	500,000
Property Valuation	1,000
Law Enforcement Crimes	22,000
Medical Professional Liability	6,000,000
Foster Parents Coverage	500,000
Dog Warden Blanket Bond	2,000
Other Coverage:	1,000,000
Extra Expenses - Business Interruption	250,000
EDP Media	250,000
Valuable Papers	100,000,000
Flood	100,000,000
Earthquake	100,000,000
Money and Securities	5,000,000
Automatic Acquisition	5,000,000
Property in Transit	100,000
Pollutant Cleanp/Removal	10,000
Errors and Omissions	250,000
Service Interruption Property Damage	2,500,000
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.

15. INDIVIDUAL COMPONENT UNIT DISCLOSURE

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

	Airport Authority	HARCO Industries	Hardin County Housing	Totals
Program Cash Receipts	\$189,806	\$109,679	\$151,188	\$450,673
General Cash Receipts	135	109,221	10	109,366
Program Cash Disbursements	(163,170)	(144,493)	(162,804)	(470,467)
Priviatizaton (Transfer of Control) See below		(153,636)		(153,636)
Changes in Net Cash Assets	26,771	(79,229)	(11,606)	(64,064)
Net Cash Assets Beginning of Year	130,323	79,229	33,388	242,940
Net Cash Assets End of Year	\$157,094	\$0	\$21,782	\$178,876

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 required.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. INDIVIDUAL COMPONENT UNIT DISCLOSURE (Continued)

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 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 \$157,094. 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, Inc.

Privatization

On July 1, 2016 HARCO Industries, Inc. became privatized. The adult sheltered workshop industry is changing nationally due to litigation, legislation, and competition in the private sector. There is more emphasis to have adults with developmental disabilities to work in the community than in sheltered workshops. Because of Privatization, HARCO, Inc. is no longer considered a component unit of Hardin County because the Hardin County Board of Developmental Disabilities no longer has control over the board, management or operation. In the schedule above a "Privatized Transfer of Control" entry is shown to zero out the component unit's balance at June 30, 2016.

Accounting Basis

The financial statements of HARCO Industries, Inc. have been prepared in conformity with accounting principles of 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. 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.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. INDIVIDUAL 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 \$153,636.

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).

Transportation Advance In

In October of 2016, in accordance to legislative action taken by the Ohio Department of Developmental Disabilities, the Hardin County Board of DD transitioned Adult Day and Transportation Services to Harco, Inc. Hardin County Board of DD is committed to ensuring non-profit adult day services will exist for eligible individuals who reside in Hardin County. Harco is a non-profit adult day service provider for eligible individuals.

The Hardin DD board, through a contract with Harco, Inc. agreed to pay the amount equivalent to the Medicaid rate established in OAC 5123:2-9-19 for those people without funding through a Medicaid Waiver. In order for these services to be provided, each individual receiving day services has and Individual Service Plan (ISP) authorized by HCBDD for the provision of these services by Harco, Inc. In 2016, the board prepaid \$100,050 for these services in order to provide for a smooth transition and to minimize service disruption for these individuals.

In the component unit column of the statement of activities (page 12 - 13) there is a \$100,050 Transportation Advance-In listed. After researching it has been determined to be a prepayment for services for adults with disabilities between the Hardin County Board of Developmental Disabilities and HARCO Industries. They provided support documentation for \$95,976.95 closing their year on December 31, 2016. They refunded the Hardin County Board of DD \$4,073.05 in January 2017.

C. Hardin County Housing Development, Inc.

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 restricted 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 temporary restricted funds.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

15. INDIVIDUAL COMPONENT UNIT DISCLOSURE (Continued)

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 bank deposits was \$21,782. Of the bank balance, all was covered by federal depository insurance.

Tax-exempt Status

The Housing Development is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Service Code and classified by the Internal Revenue Service as other than a private foundation.

The Housing Development's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2014, 2015, and 2016 are subject to examination by the IRS, generally for three years after they are filed.

16. RELATED PARTY TRANSACTIONS

During 2016, the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc., which is one of the discretely presented component units of the 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 \$24,919 (the latest data available).

During 2016, the County provided the staff salaries, transportation, equipment and other funds as necessary to the Hardin County Housing Development, Inc. (HCHD). 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. The In-Kind contribution from the Hardin County Board of Developmental Disabilities amounted to \$40,308.

17. COMMITMENTS - ENCUMBRANCES

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 restricted in the major and non-major governmental funds.

Encumbrances as of year-end were:

Fund	Assigned	Restricted
Major Governmental Funds:		
General	\$166,188	
Pike Repair		\$37,449
Job and Family Services		100,500
Hardin County Board of DD		31,517
Non-Major Governmental Funds		249,373
Totals	\$166,188	\$418,839

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

18. 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, 2016.

B. Litigation

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

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. Last year's study estimated that \$1,074,173 will be incurred over the remaining 9.5 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%.

19. 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:

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

19. FUND BALANCES (Continued)

Fund Balances	General	Pike Repair Fund	Job and Family Services Fund	HCBDD Fund	Non-major Governmental Funds	Total
Non-spendable:						
Unclaimed Monies	\$58,022					\$58,022
Restricted for:						
Road and Bridge Maint.		\$888,898				888,898
Ditch Maintenance					\$1,450,773	1,450,773
Real Estate Assessment					314,699	314,699
Public Assistance			\$382,796			382,796
Education				\$4,157,203		4,157,203
Capital Improvements					92,286	92,286
Debt Service Payments					19,277	19,277
911 Services					443,868	443,868
Children Services					1,028,832	1,028,832
Other Purposes:					2,869,057	2,869,057
Total Restricted		<u>888,898</u>	<u>382,796</u>	<u>4,157,203</u>	<u>6,218,792</u>	<u>11,647,689</u>
Committed:						
Underground Storage	11,000					11,000
Capital Improvements					1,086,383	1,086,383
Total Committed	<u>11,000</u>				<u>1,086,383</u>	<u>1,097,383</u>
Assigned To:						
Other Purposes	1,474,556					1,474,556
Unassigned	4,297,432					4,297,432
Total Fund Balances	<u><u>\$5,841,010</u></u>	<u><u>\$888,898</u></u>	<u><u>\$382,796</u></u>	<u><u>\$4,157,203</u></u>	<u><u>\$7,305,175</u></u>	<u><u>\$18,575,082</u></u>

On January 24, 2013 the County Commissioners passed a Resolution (V90) to setup the Budget Stabilization fund under Ohio Revised Code 5705.13(A). As of December 31, 2016, the current fund balance was \$1,002,000. There are currently no written rules for how the money will be used other than future projects that may come up.

20. 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. 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. One of the County's resolutions requires monthly transfers from the General Fund to the GIS fund to finance GIS activities.

HARDIN COUNTY

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

20. OPERATING TRANSFERS (Continued)

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General		\$615,211
Pike Repair		9,588
 <u>Other Governmental Funds:</u>		
Recorders Technology		
Landfill		393,232
GIS	\$71,854	
Youth Service Program	9,658	
Felony Delinquent Care		15,445
Emergency Management Agency	30,737	-
Keep Hardin Co. Beautiful	10,520	-
Juvenile Court Byrne Grant	5,787	-
Slurry Wall Bond Note Retirement	243,232	-
OPWC Debt Retirement	9,588	
Permanent Improvement	500,000	-
<u>Other Business Type Funds:</u>		
Reed Road Sanitary Sewer	2,100	
Waste Disposal	150,000	
Totals	<u>\$1,033,476</u>	<u>\$1,033,476</u>

21. CONDUIT DEBT

In December 2013, the County authorized the issuance of Economic Development Facilities Revenue Refunding Bonds Series 2013, in the amount of \$49,875,000 for the benefit of Ohio Northern University to rene and retire certain revenue financings. The outstanding debt at December 31, 2016 is \$43,200,000. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County; neither is the full faith and credit or taxing power of the County pledged to make repayment.

In October 2014, the County authorized the issuance of Economic Development Facilities Revenue Refunding Bonds Series 2014, in the amount of \$18,515,000 for the benefit of Ohio Northern University to rene and retire certain revenue financings. The outstanding debt at December 31, 2016 is \$17,215,000. The proceeds of the bonds do not constitute a general obligation, debt or bonded indebtedness of the County; neither is the full faith and credit or taxing power of the County pledged to make repayment.

HARDIN COUNTY

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Property Taxes	\$1,653,000	\$1,653,000	\$1,737,368	\$84,368
Sales Tax	3,850,000	3,850,000	4,405,796	555,796
Charges for Services	912,000	912,000	1,059,881	147,881
Licenses and Permits	1,500	1,500	1,492	(8)
Fines and Forfeitures	18,000	18,000	15,395	(2,605)
Intergovernmental	1,121,200	1,121,200	1,158,221	37,021
Earnings of Investments	122,000	122,000	243,132	121,132
Other	67,300	67,300	126,524	59,224
Total Receipts	<u>7,745,000</u>	<u>7,745,000</u>	<u>8,747,809</u>	<u>1,002,809</u>
Disbursements:				
Current:				
General Government:				
Legislative and Executive	3,422,593	3,646,215	3,483,333	162,882
Judicial	1,863,544	1,942,884	1,434,564	508,320
Public Safety	2,252,078	2,367,985	2,358,724	9,261
Public Works	30,043	30,043	29,496	547
Human Services	330,800	337,856	304,918	32,938
Conservation and Recreation	82,140	92,142	92,188	(46)
Total Disbursements	<u>7,981,198</u>	<u>8,417,125</u>	<u>7,703,223</u>	<u>713,902</u>
Excess of Receipts Over (Under) Disbursements	<u>(236,198)</u>	<u>(672,125)</u>	<u>1,044,586</u>	<u>1,716,711</u>
Other Financing Sources (Uses):				
Sale of Fixed Assets		5,000	5,043	43
Advances In			515,000	515,000
Advances Out			(212,687)	(212,687)
Transfer Out	100,000	(910,000)	(615,211)	294,789
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(905,000)</u>	<u>(307,855)</u>	<u>597,145</u>
Net Change in Fund Balance	(136,198)	(1,577,125)	736,731	2,313,856
Fund Balances at Beginning of Year	4,206,735	4,206,735	4,206,735	
Prior Year Encumbrances Appropriated	94,334	94,334	94,334	
Unencumbered Fund Balances End of Year	<u>\$4,164,871</u>	<u>\$2,723,944</u>	<u>\$5,037,800</u>	<u>\$2,313,856</u>

See accompanying notes to the supplementary information.

HARDIN COUNTY

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
PIKE REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Intergovernmental	\$4,745,000	\$4,595,000	\$3,939,893	(\$655,107)
Fines and Forfeitures	35,000	35,000	25,563	(9,437)
Investment Income	5,000	5,000	4,290	(710)
Charges for Services	905,944	905,944	535,420	(370,524)
Miscellaneous	220,000	220,000	127,772	(92,228)
Total Receipts	<u>5,910,944</u>	<u>5,760,944</u>	<u>4,632,938</u>	<u>(1,128,006)</u>
Expenditures:				
Current:				
Public Works	5,799,944	5,964,198	5,101,786	862,412
Total Disbursements	<u>5,799,944</u>	<u>5,964,198</u>	<u>5,101,786</u>	<u>862,412</u>
Excess of Receipts Over (Under) Disbursements	<u>111,000</u>	<u>(203,254)</u>	<u>(468,848)</u>	<u>(265,594)</u>
Other Financing Sources (Uses):				
Proceeds of Note		150,000	150,000	
Sale of Fixed Assets	50,000	50,000		(50,000)
Transfers Out	(150,000)	(150,000)	(9,588)	140,412
Total Other Financing Sources (Uses)	<u>(100,000)</u>	<u>50,000</u>	<u>140,412</u>	<u>90,412</u>
Net Change in Fund Balance	11,000	(153,254)	(328,436)	(175,182)
Fund Balances at Beginning of Year	1,015,621	1,015,621	1,015,621	
Prior Year Encumbrances Appropriated	<u>164,264</u>	<u>164,264</u>	<u>164,264</u>	
Unencumbered Fund Balances End of Year	<u>\$1,190,885</u>	<u>\$1,026,631</u>	<u>\$851,449</u>	<u>(\$175,182)</u>

See accompanying notes to the supplementary information.

HARDIN COUNTY

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
 JOB AND FAMILY SERVICES FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Receipts:				
Intergovernmental	\$2,550,492	\$2,550,492	\$2,583,262	\$32,770
Charges for Services	220,000	220,000	165,684	(54,316)
Miscellaneous	1,000	1,000	1,756	756
Total Receipts	<u>2,771,492</u>	<u>2,771,492</u>	<u>2,750,702</u>	<u>(20,790)</u>
Disbursements:				
Current:				
Human Services	2,758,132	3,088,378	2,794,398	293,980
Total Disbursements	<u>2,758,132</u>	<u>3,088,378</u>	<u>2,794,398</u>	<u>293,980</u>
Excess of Receipts Over (Under) Disbursements	<u>13,360</u>	<u>(316,886)</u>	<u>(43,696)</u>	<u>273,190</u>
Fund Balances at Beginning of Year	262,050	262,050	262,050	
Prior Year Encumbrances Appropriated	<u>63,942</u>	<u>63,942</u>	<u>63,942</u>	
Unencumbered Fund Balances End of Year	<u>\$339,352</u>	<u>\$9,106</u>	<u>\$282,296</u>	<u>\$273,190</u>

See accompanying notes to the supplementary information.

HARDIN COUNTY

SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL - BUDGET BASIS
 HCBDD FUND
 FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Receipts:				
Taxes	\$2,010,000	\$2,010,000	\$2,113,445	\$103,445
Intergovernmental	1,372,634	1,372,634	1,794,812	422,178
Charges for Services	67,000	67,000	97,215	30,215
Miscellaneous	1,500	1,500	2,437	937
Total Receipts	<u>3,451,134</u>	<u>3,451,134</u>	<u>4,007,909</u>	<u>556,775</u>
Disbursements:				
Current:				
Human Services	3,809,571	4,698,590	4,495,255	203,335
Total Disbursements	<u>3,809,571</u>	<u>4,698,590</u>	<u>4,495,255</u>	<u>203,335</u>
Excess of Receipts (Under) Disbursements	<u>(358,437)</u>	<u>(1,247,456)</u>	<u>(487,346)</u>	<u>760,110</u>
Fund Balances at Beginning of Year	3,561,305	3,561,305	3,561,305	
Prior Year Encumbrances Appropriated	<u>11,376</u>	<u>11,376</u>	<u>11,373</u>	
Unencumbered Fund Balances End of Year	<u>\$3,214,244</u>	<u>\$2,325,225</u>	<u>\$3,085,332</u>	<u>\$760,110</u>

See accompanying notes to the supplementary information.

HARDIN COUNTY

NOTES TO THE SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2016

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).

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 before the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution that 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, inter-fund transfers, and other disbursements. For funds, which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation levels require a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2016 and were considered routine.

HARDIN COUNTY

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

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

D. Encumbrances

The County is required to use the encumbrance method of accounting by virtue of Ohio law. Under this system, purchase orders, contracts and other commitments for the disbursement of funds are recorded in order to reserve the portion of the applicable appropriation, is employed as an extension of formal budgetary control in the appropriated governmental and proprietary funds. Encumbrances outstanding at year-end are reported as assigned or restricted fund balance for subsequent year disbursements 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 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 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, disbursement, and encumbrances. The Budgetary Comparison Schedules presented for the General Fund and major special revenue funds are 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 encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or 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:

	Net Changes in Fund Balances			
	General Fund	Pike Repair Fund	Job and Family Service Fund	HCBDD Fund
Budget Basis	\$5,037,800	\$851,449	\$282,296	\$3,085,335
Cash and Cash Equivalents in Segregated Accounts and, Cash with Fiscal Agent*				1,040,351
Adjustment for Encumbrances	166,188	37,449	100,500	31,517
Funds Budgeted Elsewhere**	637,022			
Cash Basis	\$5,841,010	\$888,898	\$382,796	\$4,157,203

HARDIN COUNTY

**NOTES TO THE SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016
(Continued)**

*Cash and Cash Equivalents in Segregated Accounts represent a trust held by the HCBDD. Cash with Fiscal Agent represents money held by West Con. Both accounts are 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.

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HARDIN COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<i>(Passed through Ohio Department Job and Family Services)</i>			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	G-1617-11-5521	\$225,828
Total SNAP Cluster			<u>225,828</u>
Total United States Department of Agriculture			<u>225,828</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<i>(Passed through Ohio Development Services Agency)</i>			
Community Development Block Grant's / State's Program			
Community Development Block Grants/State's Program	14.228	B-C-14-1BD-1	314,700
Community Development Block Grants/State's Program	14.228	B-F-14-1BD-1	31,500
Community Development Block Grants/State's Program	14.228	B-F-15-1BD-1	52,969
Total Community Development Block Grants/State's Program			<u>399,169</u>
Home Investment Partnerships Program	14.239	B-C-14-1BD-2	243,052
Total United States Department of Housing and Urban Development			<u>642,221</u>
U.S. DEPARTMENT OF JUSTICE			
<i>(Passed through Ohio Department of Public Safety)</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2014-JG-D01-6272	6,049
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-JG-D01-6272	6,443
Total United States Department of Justice			<u>12,492</u>
U.S. DEPARTMENT OF EDUCATION			
<i>(Passed through Ohio Department of Health)</i>			
Special Education - Grants for Infants and Families			
Special Education - Grants for Infants and Families	84.181	03310031HG0416	32,198
Special Education - Grants for Infants and Families	84.181	03310031HG0517	700
Total Special Education - Grants for Infants and Families			<u>32,898</u>
<i>(Passed through Ohio Department of Education)</i>			
Special Education Cluster (IDEA)			
Special Education_Grants to States	84.027	03310031HG0214	26,552
Special Education_ Preschool Grants	84.173	03310031HG0214	10,458
Total Special Education Cluster (IDEA)			<u>37,010</u>
Total United States Department of Education			<u>69,908</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>(Passed through Ohio Department Job and Family Services)</i>			
TANF Cluster			
Temporary Assistance for Needy Families	93.558	G-1617-11-5521	793,192
Total TANF Cluster			<u>793,192</u>
Medicaid Cluster			
Medical Assistance Program	93.778	G-1617-11-5521	452,256
<i>(Passed through Ohio Department of Developmental Disabilities)</i>			
Medical Assistance Program	93.778		91,551
Total Medicaid Cluster			<u>543,807</u>
<i>(Passed through Ohio Department Job and Family Services)</i>			
Adoption Assistance	93.659	G-1617-11-5521	6,386
CCDF Cluster			
Child Care and Development Block Grant	93.575	G-1617-11-5521	30,973
Total CCDF Cluster			<u>30,973</u>
Social Services Block Grant	93.667	G-1617-11-5521	362,133
<i>(Passed through Ohio Department of Developmental Disabilities)</i>			
Social Services Block Grant	93.667		25,583
Total Social Services Block Grant			<u>387,716</u>

(continued)

HARDIN COUNTY

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Total Federal Expenditures
<i>(Passed through Ohio Department of Job and Family Services)</i>			
Promoting Safe and Stable Families	93.556	G-1617-11-5521	24,899
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1617-11-5521	16,360
Foster Care_Title IV-E	93.658	G-1617-11-5521	153,474
Foster Care_Title IV-E	93.658	G-1415-06-0354	<u>37,268</u>
Total Foster Care_Title IV-E			190,742
Chafee Foster Care Independence Program	93.674	G-1617-11-5521	251
Child Support Enforcement	93.563	G-1415-11-5368	<u>340,942</u>
Total United States Department of Health and Human Services			<u>2,335,268</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>(Passed through Ohio Department of Public Safety)</i>			
Pre-Disaster Mitigation	97.047	EMC-2016-PC-0001	2,250
Emergency Management Performance Grants	97.042	EMC-2016-EP-00003-S01	8,953
Emergency Management Performance Grants	97.042	EMW-2015-EP-00034-S01	<u>11,611</u>
Total Emergency Management Performance Grants			<u>20,564</u>
Total United States Department of Homeland Security			<u>22,814</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
<i>(Direct Program)</i>			
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	BF-00E01427-0	<u>55,126</u>
Total United States Department of Environmental Protection Agency			<u>55,126</u>
Total Federal Awards Expenditures			<u><u>\$3,363,657</u></u>

The accompanying notes are an integral part of this schedule.

HARDIN COUNTY

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2016**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Hardin County (the County's) under programs of the federal government for the year ended December 31, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, or changes in net position of the County.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87 *Cost Principles for State, Local, and Indian Tribal Governments* (codified in 2 CFR Part 225), or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The County has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG) - REVOLVING LOAN PROGRAM WITHOUT CONTINUING COMPLIANCE REQUIREMENTS

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 money for these loans to the County, passed through the Ohio Development Services Agency. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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

Small Business Revolving Loans	Loan Activity and Balances	Cash Activity and Balances
Beginning Balances January 1, 2015	\$127,569	\$108,003
Loan Principal Repayments / Cash Receipts	(7,547)	10,368
Loan and Grant Disbursements		(15,026)
Ending Balances December 31, 2015	<u>\$120,022</u>	<u>\$103,345</u>

See financial statement note 13 for additional loan activity details.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the County to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The County has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

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Dave Yost • Auditor of State

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

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

To the Board of County Commissioners:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the cash basis 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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 23, 2018, wherein we noted the County uses a special purpose framework other than generally accepted accounting principles. Our report refers to the other auditor who audited the financial statements of the component unit Hardin County Housing Development, Inc. as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that the auditor separately reported. Another auditor audited the financial statements of the component unit HARCO Industries, Inc. as described in our report on the County's financial statements. The financial statements of HARCO Industries, Inc. were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the County's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the County's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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 as item 2016-001.

County's Response to Finding

The County's response to the finding 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.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2018



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Hardin County's (the County) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the County's major federal programs for the year ended December 31, 2016. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the County's major federal programs.

Management's Responsibility

The County's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the County's compliance for each of the County's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the County's major programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the Hardin County complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

The County's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the County's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 23, 2018

HARDIN COUNTY
SCHEDULE OF FINDINGS
2 C.F.R. § 200.515
DECEMBER 31, 2016

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 C.F.R. § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	SNAP Cluster TANF Cluster Medicaid Cluster
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR §200.520?	No

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

FINDING NUMBER 2016-001

Noncompliance Citation

Ohio Rev. Code § 117.38 provides, in part, 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 § 117-2-03 further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03 (B) requires all counties to file annual financial reports which are prepared using 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, deferred inflows/outflows, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the County may be fined and subject to various other administrative remedies for its failure to file the required financial report.

To help provide the users with more meaningful financial statements, the County should prepare its financial statements in accordance with generally accepted accounting principles.

OFFICIALS' RESPONSE:

The County has passed a resolution on March 11, 2003, volume 70, page 131 stating that all annual reports beginning fiscal 2002 and thereafter will be on a cash basis. This decision was based on the cost of preparation, conversion and audit expense. The County has estimated that it has saved nearly \$25,000 to \$35,000 annually.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

MICHAEL T. BACON

HARDIN COUNTY AUDITOR

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KENTON, OHIO 43326-2389

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2 CFR 200.511(b)

DECEMBER 31, 2016

Finding Number	Finding Summary	Status	Additional Information
2015-001	Ohio Rev. Code § 117.38 and Ohio Adm. Code § 117-2-03 (B) – the County did not prepare financial statements in accordance with generally accepted accounting principles. First Reported in 2002.	Not corrected	Repeated as Finding 2016-001

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HARDIN COUNTY

CORRECTIVE ACTION PLAN

2 CFR § 200.511(c)

DECEMBER 31, 2016

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2016-001	Please refer to the Official's Response under the Noncompliance Citation Section.	N/A	N/A



Dave Yost • Auditor of State

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
FEBRUARY 20, 2018