FINANCIAL CONDITION
HARDIN COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2002

Auditor of State
Betty Montgomery

HARDIN COUNTY

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of Hardin County, (the "County") as of and for the year ended December 31, 2002. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, as discussed in Note 2, the accompanying financial statements and notes have been prepared on a basis of accounting in accordance with standards established by the Auditor of State for governmental entities that are not required to prepare annual reports in accordance with generally accepted accounting principles. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, cannot be determined at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash, investments, and combined fund cash balances of Hardin County, as of December 31, 2002, and its combined cash receipts and disbursements and its combined budgeted and actual receipts and budgeted and actual disbursements and encumbrances, for the year then ended on the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2003 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

This report is intended solely for the information and use of the audit committee, management, Board of Commissioners, federal awarding agencies and pass-through entities, and other officials authorized to receive this report under Section 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

Betty Montgomery

Betty Montgomery
Auditor of State

June 6, 2003

HARDIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Governmental Fund Types				Fiduciary Funds	
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust Funds	Totals (Memorandum Only)
Receipts:						
Taxes	$2,999,453	$3,057,202				$6,056,655
Charges for Services	773,058	1,523,039				2,296,097
Licenses and Permits	2,206	81,953				84,159
Fines & Forfeitures	21,507	79,227				100,734
Intergovernmental Receipts	1,032,474	8,472,513				9,504,987
Special Assessments		843,123	39,920	98,061		981,104
Interest on Investments	333,164	12,251	2,707		4,353	352,475
Rent	8,322	2,250	135,724			146,296
Gifts and Donations		1,050			132,324	133,374
All Other Revenue	137,935	801,403				939,338
Total Receipts	5,308,119	14,874,011	178,351	98,061	136,677	20,595,219
Disbursements:						
General Government						
Legislative and Executive	2,483,223	387,466				2,870,689
Judicial	1,066,959	497,719				1,564,678
Public Safety	1,682,039	366,114				2,048,153
Public Works	20,923	4,109,617				4,130,540
Health		151,884				151,884
Human Services	183,422	7,075,514			43,680	7,302,616
Economic Development	21,402	1,023,082				1,044,484
Capital Outlay				133,880	9,500	143,380
Debt Service:						
Bond Principal Payment			101,456			101,456
Loan Principal Payment			48,850			48,850
Interest & Fiscal Charges			137,983			137,983
Total Disbursements	5,457,968	13,611,396	288,289	133,880	53,180	19,544,713
Total Receipts Over (Under) Disbursements	(149,849)	1,262,615	(109,938)	(35,819)	83,497	1,050,506
Other Financing Sources (Uses)						
Proceeds of Bonds				69,500		69,500
Operating Transfers-In	45,401	52,629	81,089			179,119
Operating Transfers-Out	(55,629)	(195,985)			(30,505)	(282,119)
Advances-In	409,276	877,359				1,286,635
Advances-Out	(512,859)	(592,276)				(1,105,135)
Other Financing Sources	4,502	34,555			3,379	42,436
Bond Refunding Proceeds			1,454,998			1,454,998
Bond Refunding Premium			78,896			78,896
Other Financing Uses	(219,820)	(13,400)				(233,220)
Bond Refunding Payments			(1,533,894)			(1,533,894)
Total Other Financing Sources (Uses)	(329,129)	162,882	81,089	69,500	(27,126)	(42,784)
Total of Receipts & Other Sources Over (Under) Disbursements & Other Uses	(478,978)	1,425,497	(28,849)	33,681	56,371	1,007,722
Fund Cash Balances, January 1	1,725,729	4,686,604	61,397	197,066	416,380	7,087,176
Fund Cash Balances, December 31	$1,246,751	$6,112,101	$32,548	$230,747	$472,751	$8,094,898
Reserve for Encumbrances, December 31	$120,765	$961,720		$200	$19,500	$1,102,185

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY

COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN FUND CASH BALANCES
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Proprietary Fund Types		Fiduciary Fund Types		Total
	Enterprise	Internal Service	Non-Expendable Trust	Agency	(Memorandum Only)
Receipts:					
Charges for Services	$3,378,325	$1,552,234			$4,930,559
Interest			11,535		11,535
Other Operating Revenues	44,579	251,280			295,859
Total Receipts	3,422,904	1,803,514	11,535		5,237,953
Disbursements:					
Personal Services	2,379,404				2,379,404
Contract Services	628,062	1,509,526	3,489		2,141,077
Supplies and Materials	484,067		3,948		488,015
Capital Outlay	19,779				19,779
Total Disbursements	3,511,312	1,509,526	7,437		5,028,275
Total Receipts Over (Under) Disbursements	(88,408)	293,988	4,098		209,678
Non-Operating Receipts (Disbursements)					
Interest				2,102	2,102
Interest Expense & Fiscal Charges	(2,250)				(2,250)
Other Non-Operating Revenue				37,907,690	37,907,690
Other Non-Operating Expense				(37,629,733)	(37,629,733)
Total Non-Operating Receipts (Disbursements)	(2,250)			280,059	277,809
Income Before Operating Transfers	(90,658)	293,988	4,098	280,059	487,487
Operating Transfers-In	103,000			142,618	245,618
Operating Transfers-Out				(142,618)	(142,618)
Advances-In	38,500			102,268	140,768
Advances-Out	(20,000)	(200,000)		(102,268)	(322,268)
Net Income	30,842	93,988	4,098	280,059	408,987
Fund Cash Balances, January 1	578,825	37,341	250,417	2,163,337	3,029,920
Fund Cash Balances, December 31	$609,667	$131,329	$254,515	$2,443,396	$3,438,907
Reserve for Encumbrances, December 31	$79,401			$8,063	$87,464

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY

COMBINED STATEMENT OF RECEIPTS-BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types/Fund	Budget	Actual	Variance Favorable/ (Unfavorable)
Governmental:			
General Fund	$5,000,000	$5,767,298	$767,298
Special Revenue Funds	17,189,929	15,838,554	(1,351,375)
Debt Service Funds	261,169	1,793,334	1,532,165
Capital Project Funds	369,562	167,561	(202,001)
Proprietary:			
Enterprise Funds	3,706,000	3,564,404	(141,596)
Internal Service Funds	1,800,000	1,803,514	3,514
Fiduciary:			
Expendable Trust Funds	200,920	140,056	(60,864)
Non-Expendable Trust Funds	10,300	11,535	1,235
Total (Memorandum Only)	$28,537,880	$29,086,256	$548,376

The notes to the financial statements are an integral part of this statement.

HARDIN COUNTY

COMBINED STATEMENT OF DISBURSEMENTS AND ENCUMBRANCES COMPARED WITH EXPENDITURE AUTHORITY FOR THE YEAR ENDED DECEMBER 31, 2002

Fund Types/Fund	Prior Year Carryover Appropriations	2002 Appropriations	Total
Governmental:			
General Fund	$73,063	$6,183,825	$6,256,888
Special Revenue Funds	289,187	16,909,499	17,198,686
Debt Service Funds		303,821	303,821
Capital Project Funds		532,582	532,582
Proprietary:			
Enterprise Funds	76,815	3,683,657	3,760,472
Internal Service Funds		1,800,000	1,800,000
Fiduciary:			
Expendable Trust Funds	28,000	505,720	533,720
Non-Expendable Trust Funds		31,500	31,500
Total (Memorandum Only)	$467,065	$29,950,604	$30,417,669

The notes to the financial statements are an integral part of this statement.

Actual 2002 Disbursements	Encumbrances Outstanding At 12-31-02	Total	Variance Favorable/ (Unfavorable)
$6,246,276	$120,765	$6,367,041	($110,153)
14,413,057	961,720	15,374,777	1,823,909
1,822,183		1,822,183	(1,518,362)
133,880	200	134,080	398,502
3,533,562	79,401	3,612,963	147,509
1,709,526		1,709,526	90,474
83,685	19,500	103,185	430,535
7,437		7,437	24,063
$27,949,606	$1,181,586	$29,131,192	$1,286,477

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NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002

1. DESCRIPTION OF THE REPORTING ENTITY

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

The County's reporting entity has been defined in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, effective for financial statements for periods beginning after December 15, 1992. The combined financial statements include all funds, agencies, boards, and commissions for which Hardin County and the County Commissioners are "accountable". Component units of Hardin County are not reflected on the financial statements or related note disclosures as the County is reporting on the cash basis.

Below are the potential component units whose financial activities are not included as part of the financial statements.

A. Component Units

HARCO Industries, Inc.

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

The Hardin County Board of MRDD provides the Workshop staff, salaries, transportation, equipment (except that used directly in the production of goods or rendering of services), staff to administer and supervise training programs, and other funds as necessary for the operation of the Workshop. Based on the significant services and resources provided by the County to the Workshop and the Workshop's sole purpose of providing assistance to mentally retarded or developmentally disabled adults of Hardin County, the Workshop is a component unit of the County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for HARCO Industries, Inc. may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

Hardin County Housing Development, Inc.

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for HCHD may be obtained from the administrative offices at 705 North Ida Street, Kenton, Ohio 43326.

Hardin County Airport Authority

The Hardin County Airport Authority provides air transportation and commercial travel for the general population and surrounding businesses of Hardin County. The Airport Board consists of seven members who are appointed by the Hardin County Commissioners. The airport land is owned by Hardin County. Based on the appointments and control and the significant services it provides, the Hardin County Airport Authority is a component unit of Hardin County. However, the County reports on the cash basis of accounting which does not reflect component units within the financial statements and related note disclosures. Complete financial statements for the Airport Authority may be obtained from the administrative offices located 13975 Township Road 135 Kenton, Ohio 43326.

B. Jointly Governed Organizations

West Central Ohio Network

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

Hardin 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.

Workforce Investment Act

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

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

The federal WIA program is administered through the ODJFS and operates on a state fiscal year from July 1 to June 30. From January to June 2002, Hardin County independently administered their WIA program. Effective July 1, 2002, Hardin County participated in a multi-county WDA with Auglaize and Mercer Counties, with Mercer County as fiscal agent.

Family and Children First Council

The Family and Children First Council provides services to multi-need youth in Hardin County. Members of the council include the Hardin County Board of Mental Retardation, Mental Health Board, Hardin County Child Support Enforcement Agency, 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.

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.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

In 2002, tax revenues generated by the levy in Hardin County totaled $137,057 which represents one and six tenths percent of total revenues. Complete financial statements can be obtained from the Allen County Auditor, Ben Diepenbrock, 301 North Main Street, Room 103, P.O. Box 1243, Lima, Ohio, 45802-1243.

Marion Hardin Correctional Center

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

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

The Marion Hardin County Jail Commission is a joint venture between Marion and Hardin Counties. The Commission has no outstanding debt as of December 31, 2002. The Commission has not accumulated significant financial resources, nor is the commission experiencing fiscal stress that may cause additional financial benefit or burden on the County in the future. Financial information can be obtained from the Marion County Auditor, Michele Pearson, 222 West Center Street, Marion, Ohio, 43302.

D. Risk Pools

County Risk Sharing Authority, Inc. (CORSA)

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

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.

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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.

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

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

Hardin County Veterans Memorial Park District

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

F. Potential Component Units

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

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

Hardin County General Health District

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

Soil and Water Conservation District

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

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Other Districts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. BASIS OF ACCOUNTING

Although required by Ohio Administrative Code Section 117-2-3 to prepare its annual financial report in accordance with generally accepted accounting principles, the County chooses to prepare its financial statements on the basis of accounting formerly prescribed or permitted by the Auditor of State. This 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. Budgetary presentations report budgetary expenditures when a commitment is made (i.e. when an encumbrance is approved). See Note 14 for the restatement of January 1, 2002 beginning fund balances.

B. FUND ACCOUNTING

The County maintains its accounting records in accordance with the principles of “fund” accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the recording of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each type of funds are as follows:

1. GOVERNMENTAL FUNDS:

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. PROPRIETARY FUNDS:

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

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

3. FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include Expendable Trust, Non-Expendable Trust and Agency Funds. Trust funds are used to account for resources restricted by legally binding trust agreements. If the agreement requires the County to maintain the corpus of the trust, the fund is classified as a nonexpendable trust fund. Other trust funds are classified as expendable. Agency Funds generally are used to account for assets that the government holds on behalf of others as their agent. Expendable trust funds are accounted for in essentially the same manner as governmental funds and non-expendable trust funds in essentially the same manner as proprietary funds.

C. BUDGETARY DATA

Outlined below are the procedures followed by the County to establish the annual operating budget and budgetary data reported:

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2002 and were considered routine.

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

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

D. ENCUMBRANCES

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

E. CASH AND INVESTMENTS

To improve cash management, some cash received by the County is pooled. Monies for most funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records.

During the year 2002, investments were limited to STAR Ohio, certificates of deposit, and federal agency discount notes. Investments are reported at cost.

The County has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year 2002. 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 at which the investment could be sold at December 31, 2002.

With the exception of the investments in the investment pool for Pike Repair Special Revenue Fund and the following separate investments for Revolving Loan Special Revenue Fund, the Ada Howard and Louella Nuebert Expendable Trust Funds, the Helen Howard, Clark Bailey and the Chase Stewart Nonexpendable Trust Funds, all interest on investments held by the Treasurer is credited to the County General Fund. Interest income earned in 2002 by the General Fund, Pike Repair and Revolving Loan Special Revenue Funds, Annex Lease Debt Service Fund, Ada Howard and Louella Nuebert Expendable Trust Funds, and the Helen Howard, Clark Bailey, and the Chase Stewart Nonexpendable Trust Funds totaled $333,164 $12,251, $2,707, $4,353 and $11,535, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. HEALTH CARE

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

G. 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) which distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements as the only economic interest related to the stamps rests with the ultimate recipient. The County's JFS distributed approximately $1,296,363 of federal food stamps during 2002.

H. LONG-TERM OBLIGATIONS

Long-term obligations for general obligation bonds that are expected to be paid from the governmental funds are shown in the notes to the financial statements.

Under Ohio law, a debt retirement fund must be created and used for the payment of all debt principal and interest.

I. INTERFUND TRANSACTIONS

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

1. Transfers of resources from one fund to another fund through which resources are to be expended are recorded as operating transfers.

2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expense in the reimbursed fund.

J. SELF-FUNDED INSURANCE

The County is self-funded for health benefits. Each County fund is charged for its proportionate share of the cost for covered employees. Payment of these benefits is accounted for in an internal service fund.

3. DEPOSITS AND INVESTMENTS

The County maintains both specific investments and a cash and investment pool used by all funds. Each fund type's portion of these specific investments and the cash and investment pool is displayed on the combined financial statements as "Fund Cash Balance."

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

4. Bond and other obligations of the State of Ohio or its political 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) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

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

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

9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and

10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

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

3. DEPOSITS AND INVESTMENTS (Continued)

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

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

Cash on Hand - At year end, the County had $2,500 in undeposited cash on hand which is included in the "Fund Cash Balance".

Deposits - At year-end, the carrying amount of the County's deposits, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1, was $10,188,395 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was $10,802,342. Of the bank balance, $546,740 was covered by federal depository insurance; and the balance was uninsured and uncollateralized as defined by the Governmental Accounting Standards Board because State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the County to a successful claim by the Federal Deposit Insurance Corporation.

The pledging banks have investment and securities pools used to collateralize all public deposits. These pools have a market value at December 31, 2002, in excess of 105 percent of the public funds on deposit in each pledging bank. Statutory provisions require that collateral pledged for deposits be held in trust by an institution other than the pledging bank or in collateral pools pledged to cover government deposits held by an institution.

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

Category 1 includes investments that are insured or registered or for which the securities are held by the County. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the County's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer or by its trust department but not in the County's name. The County's investment in STAR Ohio, an investment pool operated by the Ohio State Treasurer, is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

As of December 31, 2002, the County's investments were as follows:

Description	Category 2	Carrying Value	Fair Value
Federal Agency Securities	977,496	977,496	999,465
STAR Ohio (Not Categorized)		365,414	365,414
Total		1,342,910	1,364,879

4. PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35 percent of appraised market value. The County Auditor reappraises all real property every six years with a triennial update. The last update was completed in 2002 for tax year 2003.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2002, was $7.15 per $1,000 of assessed valuation for real property classified as residential/agricultural and $7.15 per $1,000 of assessed valuation for all other real property. After adjustment of the rate for inflationary increases in property values, the effective tax rate was $5.97 per $1,000 of assessed valuation for real property classified as residential/agricultural and $6.63 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.

Owners of tangible personal property are required to file a list of such property including costs, by April 30 of each year. The property is assessed for tax purposes at varying statutory percentages of cost. The tax rate applied to tangible personal property, for the fiscal year ended December 31, 2002, was 24% of true value.

The assessed value upon which the 2002 taxes were collected was $408,414,219.

Real Property - 2001 Valuation:	
Residential	$179,216,960
Agriculture	93,358,770
Commercial	33,740,720
Industrial	16,393,310
Public Utilities	548,880
Tangible Personal Property – 2002 Valuation:	
General	60,550,049
Public Utilities	24,605,530
Total Valuation	$408,414,219

Real property taxes for tax year 2002 are payable annually or semi-annually. If paid annually, payment is due February 10, 2002. If paid semi-annually, the first payment is due February 10, 2002 with the remainder payable by July 20, 2002. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

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

4. PROPERTY TAXES (Continued)

"Real and Other Taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of the last settlement (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

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.

5. PERMISSIVE SALES AND USE TAX

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

Proceeds of the tax are credited to the General Fund.

6. LONG TERM DEBT

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

A. The County's long term debt transactions for the year ended December 31, 2002, are summarized below:

	Debt Principal Outstanding 1-Jan-02	Debt Principal Issued in 2002	Debt Principal Retired in 2002	Debt Principal Outstanding 31-Dec-02
General Obligation Bonds	$1,520,000	$1,454,998	$1,520,000	$1,454,998
Special Assessment Bonds with Government Commitment	107,176	69,500	36,456	140,220
OWDA Landfill Closure	648,049	-	41,503	606,546
OPWC Loan	58,774	-	7,347	51,427
	$2,333,999	$1,524,498	$1,605,306	$2,253,191

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

6. LONG TERM DEBT (Continued)

The bonds are being repaid by the Hardin County Department of Job and Family Services (JFS) through a rental agreement whereas both the Child Support Enforcement Agency, and the Children's Services and Public Assistance pay a portion of rent based upon square footage utilized.

In October, 2002, the county issued current refunding bonds in the amount of $1,454,998 at interest rates varying from 1.6% to 3.8% maturing in December 2012 to refund outstanding bonds in the amount of $1,520,000 at an estimated average interest rate of 6.51% which would have matured in December 2016 resulting in a monetary saving of $480,720 and a present value savings of $273,940.

The Special Assessment bonds were used to construct and improve ditches and will be retired through assessments against benefited property owners.

Each appropriate bond indenture provides for principal and interest to be paid from assessment collections. If the property owners default on their special assessment obligations, the County is obligated to meet the debt service requirements from County funds.

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

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

The following are descriptions of the bonds and loans that existed in 2002 and were outstanding as of December 31, 2002:

Description	Issue Date	Issue Rate %	Original Amount	2002 Paid Amount	Outstanding Amount	Maturity Date
County Courthouse Annex General Obligation Bonds	Dec 1991	various	$1,960,000	$1,520,000	$ -	Dec 2016
County Courthouse Annex General Obligation Bonds	Oct 2002	various	$1,454,998	$ -	$1,454,998	Dec 2012
Special Assessment Bonds:						
Kasler Ditch	2002	5.00%	$64,000	$ -	$64,000	2007
Robinson Ditch	2002	5.00%	5,500	-	5,500	2007
Dawson Ditch	2001	4.45%	5,300	1,300	4,000	2013
Beaver Pond Ditch	2001	4.86%	11,000	3,000	8,000	2006
Frisch Ditch	2001	4.45%	7,600	1,600	6,000	2006
Conner Jt Ditch	1998	5.14%	10,200	2,100	2,300	2003
Stutzman Ditch	1998	5.12%	5,000	1,056	1,120	2003
Noe Ditch	1998	5.14%	1,400	300	300	2003
Hess Ditch	1998	6.00%	1,900	400	-	2002
Hughes Ditch	1998	6.00%	1,500	300	-	2002

Trent Ditch	1998	4.97%	2,000	400	400	2003
Lautenschlager Ditch	1998	4.97%	17,000	3,400	3,400	2003
Lease Ditch	1999	5.00%	68,000	13,600	27,200	2004
Bloom Ditch	2000	5.60%	48,000	9,000	18,000	2004
Total Special Assessment				$36,456	$140,220	
Total Bond Debt				$1,556,456	$1,595,218	
OWDA Loan	July 1997	4.56%	$891,616	$41,502	$606,546	Jan 2014
OPWC Loan	July 1999	0.00%	$73,468	$7,347	$51,427	2010
Total Loans				$48,849	$657,973	
Total Bonds and Loans				$1,605,305	$2,253,191	

B. The annual requirements to amortize all bonded debt outstanding as of December 31, 2002, including interest payments of $549,919 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loan	Total
2003	181,023	56,957	47,897	7,347	293,224
2004	183,623	45,827	68,431	7,347	305,228
2005	180,910	21,022	68,431	7,347	277,710
2006	182,965	19,009	68,431	7,347	277,752
2007	184,445	13,650	68,431	7,347	273,873
2008-2012	881,619		342,153	14,692	1,238,464
2013-2014	-	-	136,859	-	136,859
Total	1,794,585	156,465	800,633	51,427	2,803,110
Less Interest	(339,587)	(16,245)	(194,087)	(-)	(549,919)
Principal	$1,454,998	$140,220	$606,546	$51,427	$2,253,191

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

The effects of the debt limitations described above at December 31, 2002 are an overall debt margin of $8,710,355 and an unvoted debt margin of $6,629,932.

7. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

All Hardin County full time employees, other than teachers, participate in the Ohio Public Employees Retirement System of Ohio (OPERS), a cost sharing multiple-employer public employee retirement system created by the State of Ohio. OPERS provides basic retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2002 was 8.5% for employees other than law enforcement. Law enforcement employees contribute 10.1% of covered salary. The employer contribution rate was 13.55% of covered payroll, 8.55% was the portion used to fund pension obligations for 2002. The law enforcement employer rate was 16.70% of covered payroll and 11.70% was the portion used to fund pension obligations for 2002. The County's contributions for pension obligations and post employment benefits other than pension obligation, for both law enforcement and other OPERS employees, for the years ended December 31, 2002, 2001 and 2000 were $1,239,255, $1,071,547, and $1,024,115, respectively; 72.79% has been contributed for 2002 and 100% for 2001 and 2000. $339,825, represents the unpaid contribution for 2002.

B. State Teachers Retirement System (STRS)

Certified teachers employed by the school for the Mentally Retarded/ Developmentally Disabled participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's required contributions for pension obligations to STRS for the years ended December 31, 2002, 2001, and 2000 were $43,633, $42,229, and $37,115, respectively; 96% has been contributed for 2002 and 100% for the years 2001 and 2000. $1,663 represents the unpaid contribution for 2002.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Ohio Public Employees Retirement System (OPERS):

Ohio Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12.

8. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (Continued)

A portion of each employer's contribution to OPERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

The 2002 employers' contribution rate was 13.55% of covered payroll; 5% was the portion that was used to fund health care for the year 2002. The law enforcement employer rate for 2002 was 16.70% and 5% was used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund post retirement health care through their contributions to PERS. The county's contribution to fund post employment benefits was $460,865.

As of December 31, 2001, the unaudited estimated net assets available for future OPEB payments were $11.6 billion. The number of benefit recipients eligible for OPEB at December 31, 2001 was 402,041.

In December 2001, the OPERS Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options.

The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present plan.

The benefit recipient will be free to select the option that best meets their needs. Recipients will fund health care costs in excess of their monthly health care benefit. The plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

B. State Teachers Retirement System (STRS):

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

The State Teachers Retirement Board has authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For fiscal year 2002, the Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled $14,025 for the fiscal year ended June 30, 2002.

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Fund was $3.011 billion at June 30, 2002 (the latest information available). For the fiscal year ended June 30, 2002, net health care costs paid by STRS were $354,697,000 and STRS had 105,300 eligible benefit recipients.

9. REVOLVING LOANS

Hardin County makes special efforts to attract out-of area companies to the County to increase the number of firms and employees working in the County. Incentives are in the form of low interest revolving loans, deferred loan payments and interest and tax abatements which are offered to attract prospective firms. The following revolving loans are secured by mortgages on the property. Loans marked with an asterisk have defaulted on the loan agreement. Payments made during 2002 and balances outstanding at December 31, 2002 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2002	Principal Outstanding Dec-31- 2002
Diamond Industries	6%	2002	5,506	-
Diamond Plastics	5%	2002	5,851	-
Buckeye Machine & Fab	5%	2004	12,637	14,395
*Choice Auto, LLC	5%	2012	1,768	28,232
*Choice Auto, LLC	5%	2024	339	14,862
Data Bits	5%	2003	11,313	9,869
*Harman Tech Coatings	5%	2004	-	74,897
Innoplas, Inc.	5%	2007	11,130	65,637
Innoplas, Inc.	4%	2003	34,264	10,845
Laugh and Learn Day Care	5%	2024	1,063	95,937
Mt. Victory Meats	5%	2006	2,129	9,322
Mt. Victory Meats	5%	2004	2,076	4,447
Sheldon's Auto Service	5%	2012	1,474	23,541
Total Loans Paid and Outstanding			$89,550	$351,984

10. RISK MANAGEMENT

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

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

General Liability	$3,000,000
Law Enforcement Professional Liability	3,000,000
Public Officials Liability	3,000,000
Stop Gap Liability	1,000,000
Automobile Liability	3,000,000
Building and Contents	
(Include Comprehensive Boiler and Machinery)	39,193,559
Contractor's Equipment	2,097,941
Sewer Lines	500,000
Other Coverages:	
Extra Expense	25,000
EDP Media	50,000

Valuable Papers	1,000,000
Flood	100,000,000
Earthquake	100,000,000
Faithful Performance Bond	1,000,000
Money and Securities	1,000,000
Motor Truck Cargo	100,000

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.

The County has elected to provide medical benefits through a self insured program for those employees who choose it. The maintenance of these benefits are accounted for in the County Employees Benefit Insurance Internal Service Fund. An excess coverage insurance (stop loss) policy covers annual claims in excess of $25,000 per individual. Employees of the Mental Retardation and Developmental Disabilities (MRDD) Board are covered by the County Boards Association (CBA) Benefit Services.

11. RELATED PARTY TRANSACTIONS

During 2002, Hardin County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc., which is a component unit of Hardin County that is not reported in the cash basis financial statements, reported $13,867 for such contributions. HARCO Industries, Inc. recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the vocational purpose of the workshop.

12. SIGNIFICANT CONTRACTS AND OTHER OUTSTANDING OBLIGATIONS

In 2002, the County contracted with Remedial Construction Services for $524,668 for the construction of a slurry wall around the Hardin County Landfill. At December 31, 2002 the work had not commenced for this contract.

During 2001, it was determined that the Hardin County Department of Job and Family Services (Public Assistance and Children's Services Funds) had been overpaid by the Ohio Department of Job and Family Services (ODJFS) in the amount of $271,251, of which $50,000 was repaid in 2001. The outstanding balance will be repaid through the year ended 2006 as approved by the ODJFS. During 2002, the County repaid $80,000 with an ending balance due of $141,251.

During 2002, it was determined that the Hardin County Department of Job and Family Services (Child Support Enforcement Agency Funds) had been overpaid by the Ohio Department of Job and Family Services (ODJFS) in the amount of $65,654. The outstanding balance will be repaid $1,500 per month beginning January 2003 as approved by the ODJFS.

13. 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 is 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.

13. CONTINGENT LIABILITIES (Continued)

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2002.

B. Litigation

The County is involved in litigation as a defendant. The litigation is in the fact finding stages and the potential outcome cannot be determined at this time.

C. Landfill

Each year the County engages a consultant to complete a study regarding post closure landfill costs (monitoring and maintenance of the site). This study is subject to review by the Ohio Environmental Protection Agency. This year's study estimates that $1,563,061 will be incurred over the remaining eighteen years of the thirty year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a letter of credit 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.

14. CHANGE IN BASIS OF ACCOUNTING AND RESTATEMENT OF FUND CASH BALANCE

For 2002, the County has changed its basis of accounting from the modified and full accrual to the cash basis of accounting. The County determined that it could save costs on the conversion from cash accounting reports to Generally Accepted Accounting Principles (GAAP) report and the audit of the converted information. Assets and liabilities were eliminated and component units are no longer included in the County's financial statements.

The following adjustments were made to the following fund types and component units:

	Fund Equity 31-Dec-01	Adjustments	Restated Fund Equity 31-Dec-01
General	2,303,844	(578,115)	1,725,729
Special Revenue	5,034,627	(348,023)	4,686,604
Capital Project	160,404	36,662	197,066
Debt Service	98,060	(36,663)	61,397
Enterprise	1,158,638	(579,813)	578,825
Internal Service	(379,434)	416,775	37,341
Trust and Agency	668,225	2,161,909	2,830,134
Component Units	667,306	(667,306)	-
Total	9,711,670	405,426	10,117,095

HARDIN COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor Program Title	Federal CFDA Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
(Passed through Ohio Department of Development)			
Community Development Block Grant (Entitlement Grant)	14.228	$431,236	
Home Improvement Partnership Program (HOME)	14.239	203,405	
Total United States Department of Housing and Urban Development		634,641	
U.S. DEPARTMENT OF JUSTICE			
(Passed through Office of Criminal Justice)			
Byrne Formula Grant Program	16.579	41,539	
State Domestic Preparedness Equipment Support Program	16.007	60,551	
Total United States Department of Justice		102,090	
U.S. DEPARTMENT OF LABOR			
(Passed through Ohio Department of Job and Family Services)			
Workforce Investment Act - FY 02	17.258	45,386	
Workforce Investment Act - FY 03	17.258	49,113	
Total Workforce Investment Act		94,499	
U.S. DEPARTMENT OF EDUCATION			
(Passed through Ohio Department of Education)			
Special Education Cluster:			
Special Education Preschool Grant	84.173	10,653	
Special Education Grants to States	84.027	24,557	
Total Special Education Cluster:		35,210	
Innovative Education Program Strategies	84.298	268	
Total United States Department of Education		35,478	
U.S. DEPARTMENT OF AGRICULTURE			
(Passed through Ohio Department of Education)			
Nutrition Cluster:			
National School Lunch Program	10.555	934	
Food Donation	10.550		1,732
Total U.S. Department of Agriculture		934	1,732
U.S. DEPARTMENT OF HUMAN SERVICES			
(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)			
Social Services Block Grant - Title XX	93.667	23,299	
Medical Assistance Programs - Medicaid Title XIX	93.778	244,009	
Total Passed through Ohio Department of Mental Retardation and Developmental Disabilities		267,308	
(Passed through Ohio Department of Job and Family Services)			
Promoting Safe and Stable Families	93.556	13,964	
Chafee Foster Care Independent Living	93.674	5,255	
Total U.S. Department of Human Services		286,527	
U.S. DEPARTMENT OF EMERGENCY MANAGEMENT AGENCY			
(Passed through Ohio Department of Emergency Management Agency)			
Emergency Management Performance Grants	83.552	14,835	
TOTAL FEDERAL FINANCIAL ASSISTANCE		$1,169,004	$1,732

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

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

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

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

NOTE 2 - COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS (CDBG)

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

These loans are collateralized by mortgages on the properties. The following represents the activity of the revolving loans, the amount of loans outstanding and the cash balance available for loan at December 31, 2002.

Small Business Revolving Loans	**Loan Activity and Balances**	**Cash Activity and Balances**
Beginning Balance	341,021	294,855
Loan Principal Repayments /Cash Receipts	89,550	107,643
Loan and Grant Disbursements/ Disbursements	100,509	301,763
Ending Balances	351,984	100,735

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

NOTE 4 - OHIO DEPARTMENT OF JOB AND FAMILY SERVICES

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

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

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

NOTE 5 - WORKFORCE INVESTMENT ACT

The Workforce Investment Act requires recipients to account for this activity on an accrual basis. During 2002, this activity was prepared and reported on a cash basis. Effective July 2002, the County entered into a multi-county agreement with Auglaize and Mercer Counties for which Mercer County is the fiscal agent.

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Auditor of State
Betty Montgomery

INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Board of County Commissioners:

We have audited the financial statements of Hardin County (the "County") as of and for the year ended December 31, 2002, and have issued our report thereon dated June 6, 2003, wherein we noted that the County has prepared its financial statements on the basis of accounting previously prescribed by the Auditor of State which is a comprehensive basis of accounting other than the accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2002-001 and 2002-002. We also noted certain immaterial instances of noncompliance that we have reported to management of the County in a separate letter dated June 6, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2002-003.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not consider the reportable condition reported above as finding 2002-003 to be a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the County in a separate letter dated June 6, 2003.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 6, 2003

Auditor of State
Betty Montgomery

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2002. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 2002-004 and 2002-005 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management that are applicable to its Home Investment Partnerships Program (HOME). Compliance with these requirements is necessary, in our opinion, for the County to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2002. However the results of our auditing procedures disclosed instances of non-compliance for non-major federal programs with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2002-005 and 2002-006.

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Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Betty Montgomery

Betty Montgomery
Auditor of State

June 6, 2003

HARDIN COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2002

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unqualified
(d)(1)(ii)	**Were there any material control weakness conditions reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?**	Yes
(d)(1)(iii)	**Was there any reported material non-compliance at the financial statement level (GAGAS)?**	Yes
(d)(1)(iv)	**Were there any material internal control weakness conditions reported for major federal programs?**	No
(d)(1)(iv)	**Were there any other reportable internal control weakness conditions reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Qualified
(d)(1)(vi)	**Are there any reportable findings under § .510?**	Yes
(d)(1)(vii)	**Major Programs (list):**	Home Improvement Partnership Program (HOME) CFDA #14.239 Medical Assistance Program (Medicaid Title XIX) CFDA # 93.778
	Programs Not Audited As a Major, however, findings & questioned costs were noted:	Community Development Block Grant CFDA #14.228 Workforce Investment Act Grant CFDA 17.258
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 300,000 Type B: all others

(d)(1)(ix)	**Low Risk Auditee?**	Yes

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

Finding Number 2002-001

NONCOMPLIANCE

Ohio Admin. Code Section 117-2-03(B) requires counties to file their annual financial reports according generally accepted accounting principals(GAAP).

The County prepared its 2002 annual financial report on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principals, that was formerly prescribed or permitted by the Auditor of State. As a result, the accompanying financial statements do not present assets liabilities, fund balance/equities, and related note disclosures, that while material, cannot be determined at this time.

To help provide the users with more meaningful financial statements, the County should prepare their 2003 financial statements according to generally accepted accounting principals.

Finding Number 2002-002

Noncompliance Citation

Auditor of State Bulletin 97-003 sets forth the requirements for inter-fund advances and provides additional guidance for recording such transactions.

- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash (the "creditor" fund) for the same purpose for which the fund receiving the cash (the "debtor" fund) was established;

The County advanced $360,000 from the Special Revenue Pike Repair Fund, which accounts for financial activity of the County Engineer, to the Special Revenue Landfill Assessment Fund. There is no statutory authority indicating that the funds advanced from the Pike Repair Fund can be used for the same purposes as those in the Landfill Assessment Fund

The County should review the requirements of this Bulletin and/or consult with the County Prosecutor prior to making advances between funds.

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

Finding Number 2002-003

Reportable Condition
Recording of Financial Activity Between Funds

To help assure the accuracy of financial reporting, an entity should review transactions between funds to determine the correct classification of the financial activity. The County's Special Revenue Public Assistance Fund and the Special Revenue Children's Services Fund each provided services to the other fund. The accounting transaction for these services was recorded as transfers in and out instead of properly reflecting the revenues and expenditures for providing these services. As a result, the financial statements prepared by the County not only presented inaccurate financial information, but also gave the impression that there had been $415,072 of illegal transfers between two different Special Revenue Funds. The accompanying financial statements have been adjusted to reclassify the transfer out of the Children's Services Fund as human services expenditures and the transfer into the Public Assistance Fund as charges for services in the amount of $261,015 and the transfer out of the Public Assistance Fund as human services expenditures and the transfer into the Children's Services Fund as charges for services in the amount of $154,057. In addition to the activity between these funds, there were less significant errors, not requiring financial statement adjustment, involving the misclassification of transfers and advances; the reimbursements of expenditures; and the agreement between the schedule of advances and the annual financial report.

The County and/or Audit Committee should review all financial activity between funds to help assure that it is properly recorded and when applicable in agreement with supporting schedules.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER	2002-004
CFDA TITLE AND NUMBER	Home Improvement Partnership Program (HOME) CFDA # 14.239
FEDERAL AWARD NUMBER / YEAR	B-C-00-030-2 Private Rehab / 2000
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Report Level Noncompliance
Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3) states that grantees must develop a cash management system to ensure compliance with the fifteen Day Rule relating to prompt disbursement of funds. This rule states that funds drawn down should be limited to amounts that will enable the grantee to disburse the funds on hand to a balance of less than $5,000 within fifteen days of receipt of any funds. Lump sum draw downs are not permitted.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

Finding Number 2002-004 (Continued)

Escrow accounts are permitted only in the case of rehabilitation of private property. For the purpose of the fifteen Day Rule only, funds deposited into an escrow account will be considered expended, but it should be noted that funds may only be in an escrow account for 20 days.

The County maintained program balances in excess of $5,000 for the period of January 1, 2002 through October 30, 2002. In addition, an escrow account was not established.

Draw number and date	No. 144 Jan. 31, '02	No. 147 Mar. 29, '02	No. 148 Apr. 30, '02	No. 150 May 22, '02	No. 151 Jun. 5, '02	No. 155 Sep. 5, '02
Amount	$7,800	$54,750	$64,030	$19,968	$24,537	$14,910
Amount expended within fifteen days	1,311	7,875				3,325
Remaining balance	6,489	46,875	64,030	19,968	24,537	11,585
Amounts equal to or in excess of $5,000(rounded) that were not liquidated within fifteen days	1,489 was expended by Feb. 28, '02	41,875 was expended between May 2, 02 and May 23, '02	59,030 was expended between May 23, 02 and July. 11, '02	14,968 was expended between July 18, 02 and Aug. 8, '02	19,537 was expended between Aug. 29, 02 and Sep. 19, '02	6,585 was expended between Sep. 19, '02 and Oct. 31, '02
Balance less than $5,000(rounded) allowed to be carried forward	5,000	5,000	5,000	5,000	5,000	5,000

Based on the above facts, questioned costs in the amount of $143,484, are being issued for money in excess of $5,000 that was not spent within the required fifteen-day period.

The County should implement procedures that will help assure that monies drawn down for the HOME program are expended within fifteen days of their receipt or an amount is spent that results in the program cash balance to be $5,000 or less.

4. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER	2002-005
CFDA TITLE AND NUMBER	Home Improvement Partnership Program (HOME) CFDA # 14.239 Community Development Block Grant CFDA #14.228
FEDERAL AWARD NUMBER / YEAR	B-C-00-030-2 Private Rehab / 2000 B-F-00-030-1 / 2000
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Report Level Noncompliance
Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3) states that the grantee should deposit federal funds received from OHCP in a non-interest bearing account. If the grantee deposits funds in an interest bearing account, the grantee must remit to OHCP, on at least a quarterly basis, any interest earned that totals more than $100 per year. The check must be made payable to the U.S. Department of Housing and Urban Development. In addition, the grantee must, on a monthly basis, credit any interest earned to the appropriate grant. The only exception is an escrow account for rehabilitation to private property.

The County setup separate cost centers within the Special Revenue Community Development Block Grant Fund to account for HOME and CDBG grant monies. The money in this fund was pooled with other funds in an interest bearing account; however, interest earned was credited to the General Fund. Based on the average monthly cost center balances, interest income in the amount of $1,454 should have been allocated to the HOME Grant and $2,106 to the CDBG Grant. This allocation of interest income exceeds the allowable limit of $100 per each program and the excess was not remitted to OHCP.

Based on the above facts, questioned costs in the amount of $1,354 for the HOME Grant, and $2,006 for the CDBG Grant, are being issued for interest income not remitted to the U.S. Department of Housing and Urban Development.

The County should implement procedures to help assure that interest is credited to all required funds. In addition, these procedures should identify grants that require excess interest to be remitted back to the grantor agency.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)

FINDING NUMBER	2002-006
CFDA TITLE AND NUMBER	Workforce Investment Act (WIA) #17.255
FEDERAL AWARD NUMBER / YEAR	AA-11271-01-50
FEDERAL AGENCY	U.S. Department of Labor
PASS – THROUGH AGENCY	Ohio Dept. of Job and Family Services

Noncompliance

Reporting

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

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

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

As of June 30, 2002, the local board was no longer the fiscal agent for this grant since the County entered into multi-county agreement for which another county has fiscal administrative responsibilities. However, the local board should work with the current fiscal agent to help assure that they are familiar with the reporting requirements of this grant.

HARDIN COUNTY

SCHEDULE OF PRIOR FINDINGS
DECEMBER 31, 2002

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; ***Explain***:
2001-60233-001	GAAP Conversion Trial Balance Errors	N/A	County Filed Cash Financial Statements for 2002.
2001-60233-002	Section 185 (e) of the Workforce Investment Act - Filing GAAP quarterly reports	No	Repeated as finding number 2002-006.
2001-60233-003	20 CFR Section 667.210(a)(2) Workforce Investment Act – expenditures for administrative costs	N/A	As of July 1, 2002, Hardin County entered a multi-county agreement for which another county has fiscal administrative responsibilities.
2001-60233-004	Monitoring of WIA Activity (budget vs actual expenditures)	N/A	As of July 1, 2002, Hardin County entered a multi-county agreement for which another county has fiscal administrative responsibilities.
2001-60233-005	Accounting for Federal Programs	Partially Corrected	County prepared Federal Schedule was significantly completed. Moved to management letter for 2002.

Auditor of State
Betty Montgomery

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FINANCIAL CONDITION

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 22, 2003