



**Auditor of State
Betty Montgomery**

**FINANCIAL CONDITION
HARDIN COUNTY**

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County (the "County") as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component units, Harco Industries, Inc., which represents 22 and 36 percent respectively, and Hardin County Housing Development, Inc., which represents 3 percent and 19 percent, respectively, of the assets and revenues of the component unit column. Other auditors audited those financial statements. They have furnished their report thereon to us and we base our opinion, insofar as it relates to the amounts included for the component units, Harco Industries, Inc. and Hardin County Housing Development, Inc., on the reports of the other auditors.

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective modified cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of December 31, 2004, and the respective changes in modified cash financial position thereof for the year then ended in conformity with the basis of accounting Note 1 describes.

For the year ended December 31, 2004, the County revised its financial presentation comparable to the requirements of Governmental Accounting Standard No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2005, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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



Betty Montgomery
Auditor of State

September 7, 2005

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED**

The discussion and analysis of Hardin County's (the County) financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2004, within the limitations of the County's modified cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 9.

Financial Highlights

Key financial highlights for 2004 are as follows:

Overall:

- Total net assets decreased \$276,068 with Governmental Activities decreasing by \$201,032 and Business-Type Activities decreasing by \$75,036.
- Total cash receipts were \$26,127,601 during 2004.
- Total program cash disbursements were \$26,403,669 during 2004.

Governmental Activities:

- Total program cash receipts were \$13,571,799 during 2004, while program cash disbursements were \$22,450,123.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$12,803,064 during 2004.

Business-Type Activities:

Program cash receipts were \$3,801,286 for Business Activities, while corresponding cash disbursements were \$3,953,546. Hardin Hills and the Waste Transfer Station both contributed significantly to the decrease in Net Assets in the business-type activities.

Using this Basic Financial Report

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the County as a Whole

The County's Reporting Entity Presentation

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

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the County to provide programs and activities, the view of the County as a whole looks at all cash basis financial transactions and asks the question, "How did we do financially during 2004?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *modified cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Reporting the County's Most Significant Funds

Fund Financial Statements

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

Governmental Funds - Most of the County's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The governmental fund statements provide a detailed view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer cash basis financial resources that can be readily spent to finance various County programs.

The County as a Whole

Recall that the Statement of Net Assets provides the perspective of the County as a whole. Table 1 provides a summary of the County's Net Assets for 2004 compared to the prior year:

**Table 1
Net Cash Assets**

Assets	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
Equity in Pooled Cash & Cash Equivalents	\$8,088,179	\$8,315,141	\$668,756	\$743,792	\$8,756,935	\$9,058,933
Cash & Cash Equivalents in Segregated Accounts	25,930				25,930	
Total Assets	<u>8,114,109</u>	<u>8,315,141</u>	<u>668,756</u>	<u>743,792</u>	<u>8,782,865</u>	<u>9,058,933</u>
Net Cash Assets						
Restricted	7,186,654	7,290,557	0	0	7,186,654	7,290,557
Unrestricted (deficit)	<u>927,455</u>	<u>1,024,584</u>	<u>668,756</u>	<u>743,792</u>	<u>1,596,211</u>	<u>1,768,376</u>
Total Net Assets	<u>\$8,114,109</u>	<u>\$8,315,141</u>	<u>\$668,756</u>	<u>\$743,792</u>	<u>\$8,782,865</u>	<u>\$9,058,933</u>

Total assets decreased by \$276,068.

Table 2 shows the changes in Net Assets for fiscal year 2004. Since this is the first year the County has prepared cash basis financial statements following GASB Statement 34, cash receipt and cash disbursement comparisons to fiscal year 2003 have not been compiled. In future years, when prior year information has been compiled, a comparative analysis of governmental data will be presented.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

**Table 2.
Changes In Net Cash Assets**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash Receipts			
Program Cash Receipts			
Charges For Services and Sales	\$ 3,725,417	\$ 3,767,302	\$ 7,492,719
Operating Grants and Contributions	9,290,228	3,054	9,293,282
Capital Grants and Contributions	556,154	30,930	587,084
Total Program Cash Receipts	13,571,799	3,801,286	17,373,085
General Cash Receipts and Transfers			
Property Taxes			
General Purpose	1,537,091		1,537,091
911- Public Safety	242,889		242,889
Hospital - Health	1,745,904		1,745,904
MRDD - Human Service	1,116,871		1,116,871
Sales Taxes	1,951,423		1,951,423
Payments in Lieu of Taxes	139,648		139,648
Grants and Entitlements Not Restricted	708,439		708,439
Interest Receipts	259,108		259,108
Sale of Assets	124,676		124,676
Proceeds from Sale of Notes/Bonds	600,000	13,000	613,000
Rental Income	139,754	22,679	162,433
Miscellaneous	153,034		153,034
Transfers/Advances (Net)	(41,545)	41,545	-
Total General Cash Receipts and Transfers	8,677,292	77,224	8,754,516
Total Cash Receipts and Transfers	22,249,091	3,878,510	26,127,601
Cash Disbursements			
Program Cash Disbursements			
General Government			
Legislative and Executive	2,905,722		2,905,722
Judicial	1,487,392		1,487,392
Public Safety	2,462,746		2,462,746
Public Works	5,302,660		5,302,660
Health	1,006,104		1,006,104
Human Services	7,500,404		7,500,404
Economic Development	542,963		542,963
Miscellaneous	209,876		209,876
Debt Service:			
Principal Retirement	936,694		936,694
Interest and Fiscal Charges	95,562		95,562
Proprietary Funds		3,953,546	3,953,546
Total Cash Disbursements	22,450,123	3,953,546	26,403,669
Increase (Decrease) In Net Cash Assets	(201,032)	(75,036)	(276,068)
Net Cash Assets at Beginning of Year	8,315,141	743,792	9,058,933
Net Cash Assets at End of Year	<u>\$ 8,114,109</u>	<u>\$ 668,756</u>	<u>\$ 8,782,865</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
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(Continued)**

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall monies generated by a voted levy do not increase solely as a result of inflation. Thus, the County's dependence upon property taxes is hampered by a lack of tax growth and must return to voters to maintain a constant level of service. Property taxes and sales taxes made up 21 percent and 9 percent, respectively, of cash receipts for governmental activities for Hardin County in fiscal year 2004. Operating grants and contributions made up 44 percent of cash receipts for governmental activities for the County.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for government activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax receipts and unrestricted state entitlements. The dependence upon tax receipts and intergovernmental monies for governmental activities is apparent. Seventy seven percent of human services activities are supported through charges for services, operating grants and contributions; and capital grants and contributions. General cash receipts and transfers provide approximately 38 percent of the support for the total governmental cash disbursements as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Hardin County. Table 3 below shows the total and net cost of services (on a modified cash basis) for the County.

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

	<u>Total Cost of Services</u>	<u>Net Costs of Services</u>
Cash Disbursements		
Program Cash Disbursements		
General Government		
Legislative and Executive	2,905,722	(1,733,904)
Judicial	1,487,392	(897,560)
Public Safety	2,462,746	(2,005,782)
Public Works	5,302,660	(699,097)
Health	1,006,104	(701,873)
Human Services	7,500,404	(1,696,858)
Economic Development	542,963	98,882
Miscellaneous	209,876	(209,876)
Debt Service:		
Principal Retirement	936,694	(936,694)
Interest and Fiscal Charges	95,562	(95,562)
Total Cash Disbursements-Governmental	<u>22,450,123</u>	<u>(8,878,324)</u>
Business-Type Activities		
Proprietary Funds	3,953,546	(152,260)

Business-type activities are supported by program cash receipts. During 2004, program cash disbursements exceeded program cash receipts, which resulted in the above decrease.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

The County's Funds

Information about the County's major funds starts on page 14. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$23,358,658 and cash disbursements and other financing uses of \$23,453,453. The net change in fund balance for the year was most significant in the General Fund, Pike Repair Fund and the MRDD Fund, where the General Fund cash balance went from \$1,024,584 in 2003 to \$927,455 for 2004, the Pike Repair Fund cash balance went from \$600,662 in 2003 to \$382,469 in 2004 and the MRDD Fund cash balance went from \$615,216 in 2003 to \$330,867 for 2004.

General Fund Budgeting Highlights

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

For the general fund, final budget basis receipts and other financing sources were \$5,581,567, above original budget estimates of \$5,070,000. Of this \$511,567 difference, sales tax receipts were \$126,423 above original estimates, charges for services \$310,648 above original estimates and various other receipt categories made up the remaining \$74,496.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$5,796,671, \$215,104 less than cash receipts.

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as capital outlay disbursements. The County had capital outlay disbursements of \$2,440,918 during fiscal year 2004.

Debt

Under the cash basis of accounting the County does not report bonds, long-term notes or short-term notes in the accompanying basis financial statements. However, in order to provide information to the readers of this report, we are providing the following detailed information about bonds, long-term notes and short-term notes. At December 31, 2004 the County had \$2,030,122 in bonds and related long-term debt for Governmental Activities. As of December 31, 2004 the County had \$600,000 in one year Bond Anticipation Notes outstanding.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2004
UNAUDITED
(Continued)**

Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

**Table 4
Outstanding Debt at December 31
Governmental Activities**

	<u>2004</u>	<u>2003</u>
General Obligation/ Special Assessment Bonds	\$1,435,098	\$1,655,398
OWDA Landfill Closure	544,642	586,790
OPWC Loan	50,382	61,628
Totals	<u>\$2,030,122</u>	<u>\$2,303,816</u>

During fiscal year 2004, the County issued \$600,000 in Slurry Wall one year Bond Anticipation Notes and paid off \$650,000 Slurry Wall one year Bond Anticipation Notes.

Current Financial Related Activities

Hardin County is stable financially at the present time. However, as the preceding information shows, the County heavily depends on its property taxpayers as well as intergovernmental monies. Since the property tax receipts do not grow at the same level as inflation, the County will be faced with significant challenges over the next several years to contain costs and ultimately determine what options are available to the County. On October 12, 2004, when the County Commissioners voted to increase the local sales tax .50 percent to a total of 1.50 effective January 1, 2005. This is estimated to bring in \$900,000 to \$950,000 annually.

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

Contacting the County's Financial Management

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

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**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2004**

	Primary Government			Component Unit Totals
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$8,088,179	\$668,756	\$8,756,935	\$145,037
Cash and Cash Equivalents in Segregated Accounts	25,930		25,930	
Total Assets	8,114,109	668,756	8,782,865	145,037
Net Assets:				
Restricted For:				
Debt Service	14,239		14,239	
Capital Projects	350,908		350,908	
Other Purposes	6,821,507		6,821,507	145,037
Unrestricted	927,455	668,756	1,596,211	
Total Net Assets	\$8,114,109	\$668,756	\$8,782,865	\$145,037

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services, Permits Fines & Fees</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government				
Legislative and Executive	\$2,905,722	\$1,145,430	\$26,388	
Judicial	1,487,392	255,996	333,836	
Public Safety	2,462,746	64,019	392,945	
Public Works	5,302,660	1,349,378	3,254,185	
Health	1,006,104	96,323	207,908	
Human Services	7,500,404	814,271	4,988,993	282
Economic Development	542,963		85,973	555,872
Miscellaneous	209,876			
Debt Service:				
Principal Retirement	936,694			
Interest and Fiscal Charges	95,562			
Total Governmental Activities	<u>22,450,123</u>	<u>3,725,417</u>	<u>9,290,228</u>	<u>556,154</u>
Business Type Activities				
Hardin Hills	3,270,560	3,141,875	3,054	30,930
Waste Transfer Station	571,274	520,355		
Sewers	111,712	105,072		
Total Business Type Activities	<u>3,953,546</u>	<u>3,767,302</u>	<u>3,054</u>	<u>30,930</u>
Total Primary Government	<u>\$26,403,669</u>	<u>\$7,492,719</u>	<u>\$9,293,282</u>	<u>\$587,084</u>
Component Units:				
Airport	86,035	91,784	18,519	
Harco Industries	81,816	70,699		
Hardin Housing	51,696	47,405		
Total Component Units	<u>\$219,547</u>	<u>\$209,888</u>	<u>\$18,519</u>	<u>\$0</u>

General Cash Receipts and Transfers

Property Taxes Levied for:
 General Purpose
 911 - Public Safety
 Hospital - Health
 MRDD - Human Services
Sales Taxes
Payments in Lieu of Taxes
Grants and Entitlements not Restricted for Specific Programs
Interest
Sale of Assets
Proceeds from Sale of Notes/Bonds
Rental Income
Miscellaneous

Total General Receipts

Transfers
Advances

Total General Cash Receipts, Transfers and Advances

Changes in Net Cash Assets

Net Cash Assets Beginning of Year

Net Cash Assets End of Year

See Accompanying Notes to the Basic Financial Statements.

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

Primary Government			
Governmental Activities	Business Type Activities	Total	Component Units
(\$1,733,904)		(\$1,733,904)	
(897,560)		(897,560)	
(2,005,782)		(2,005,782)	
(699,097)		(699,097)	
(701,873)		(701,873)	
(1,696,858)		(1,696,858)	
98,882		98,882	
(209,876)		(209,876)	
(936,694)		(936,694)	
(95,562)		(95,562)	
<u>(8,878,324)</u>		<u>(8,878,324)</u>	
	(\$94,701)	(94,701)	
	(50,919)	(50,919)	
	(6,640)	(6,640)	
	<u>(152,260)</u>	<u>(152,260)</u>	
<u>(\$8,878,324)</u>	<u>(152,260)</u>	<u>(9,030,584)</u>	
			\$24,268
			(11,117)
			(4,291)
			<u>8,860</u>
1,537,091		1,537,091	
242,889		242,889	
1,745,904		1,745,904	
1,116,871		1,116,871	
1,951,423		1,951,423	
139,648		139,648	
708,439		708,439	4,356
259,108		259,108	111
124,676		124,676	
600,000	13,000	613,000	
139,754	22,679	162,433	
153,034		153,034	25,235
<u>8,718,837</u>	<u>35,679</u>	<u>8,754,516</u>	<u>29,702</u>
(70,145)	70,145		
28,600	(28,600)		
<u>8,677,292</u>	<u>77,224</u>	<u>8,754,516</u>	<u>29,702</u>
(201,032)	(75,036)	(276,068)	38,562
<u>8,315,141</u>	<u>743,792</u>	<u>9,058,933</u>	<u>106,475</u>
<u>\$8,114,109</u>	<u>\$668,756</u>	<u>\$8,782,865</u>	<u>\$145,037</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF MODIFIED CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	<u>General Fund</u>	<u>Pike Repair Fund</u>	<u>Job and Family Services</u>	<u>MRDD Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash Assets:						
Equity in Pooled Cash and Cash Equivalents	\$927,455	\$382,469	\$98,265	\$304,937	\$6,162,170	\$7,875,296
Cash and Cash Equivalents in Segregated Accounts				25,930		25,930
Total Cash Assets	<u>927,455</u>	<u>382,469</u>	<u>98,265</u>	<u>330,867</u>	<u>6,162,170</u>	<u>7,901,226</u>
Cash Fund Balances:						
Reserved for Encumbrances	43,246	74,984	89,218	24,892	3,364,602	3,596,942
Unreserved, Undesignated (deficit) Reported in:						
General Fund	884,209					884,209
Special Revenue Funds		307,485	9,047	305,975	2,930,996	3,553,503
Debt Service Funds					14,238	14,238
Capital Projects Funds					(147,666)	(147,666)
Total Cash Fund Balances	<u>\$927,455</u>	<u>\$382,469</u>	<u>\$98,265</u>	<u>\$330,867</u>	<u>\$6,162,170</u>	<u>\$7,901,226</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Total Governmental Fund Balances \$7,901,226

**Amounts reported for governmental activities in the statement of
net assets are different because**

Governmental activities' net assets include a portion of the internal service funds' cash and cash equivalents. The proprietary funds' statements include all of these assets.

212,883

Net Assets of Governmental Activities

\$8,114,109

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Pike Repair Fund	Job and Family Services	MRDD Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:						
Property Taxes	\$1,191,272			\$1,116,871	\$1,988,793	\$4,296,936
Sales Taxes	1,951,423					1,951,423
Charges for Services	1,150,224	290,358		5,607	653,489	2,099,678
Licenses and Permits	3,049				94,446	97,495
Fines & Forfeitures	18,899	31,804			51,517	102,220
Intergovernmental Receipts	916,279	3,176,956	\$2,582,002	1,003,929	2,488,394	10,167,560
Special Assessments					1,006,616	1,006,616
Interest on Investments	257,606	3,729		387	9,445	271,167
Rent	600				5,676	6,276
Gifts and Donations				93	982	1,075
All Other Revenue	151,991	43,057	301,686	92,457	998,810	1,588,001
Total Cash Receipts	5,641,343	3,545,904	2,883,688	2,219,344	7,298,168	21,588,447
Cash Disbursements:						
General Government						
Legislative and Executive	2,469,518				379,737	2,849,255
Judicial	1,094,940				382,940	1,477,880
Public Safety	1,657,689				460,697	2,118,386
Public Works	20,047	3,332,994			833,829	4,186,870
Health					130,931	130,931
Human Services	151,476		2,754,773	2,495,594	1,965,165	7,367,008
Economic Development					542,963	542,963
Miscellaneous	209,876					209,876
Capital Outlay	34,067	477,313	78,018	8,099	1,830,964	2,428,461
Debt Service:						
Bond Principal Payment					233,300	233,300
Note Principal Payment					703,394	703,394
Interest & Fiscal Charges					95,562	95,562
Total Cash Disbursements	5,637,613	3,810,307	2,832,791	2,503,693	7,559,482	22,343,886
Cash Receipts Over/(Under) Cash Disbursements	3,730	(264,403)	50,897	(284,349)	(261,314)	(755,439)
Other Financing Sources (Uses)						
Proceeds of Notes					600,000	600,000
Operating Transfers-In	800				905,646	906,446
Operating Transfers-Out	(141,386)	(11,246)	(19)		(823,938)	(976,589)
Advances-In	53,529		3,000		91,560	148,089
Advances-Out	(17,672)		(3,000)		(98,819)	(119,491)
Other Financing Sources	3,870	57,456	350		54,000	115,676
Other Financing Uses					(13,487)	(13,487)
Total Other Financing Sources/(Uses)	(100,859)	46,210	331		714,962	660,644
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	(97,129)	(218,193)	51,228	(284,349)	453,648	(94,795)
Cash Fund Balances - Beginning of Year	1,024,584	600,662	47,037	615,216	5,708,522	7,996,021
Cash Fund Balances - End of Year	\$927,455	\$382,469	\$98,265	\$330,867	\$6,162,170	\$7,901,226

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN MODIFIED CASH BASIS FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net Change in Cash Fund Balances - Total Governmental Funds (\$94,795)

**Amounts reported for governmental activities in the
statement of activities are different because**

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate governmental fund expenditures and related internal service fund charges. Governmental activities report allocated net internal service fund revenues (expenses). (106,237)

Change in Net Cash Assets of Governmental Activities (\$201,032)

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Business-Type Activities			Governmental and Business -Type Activities
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds	Internal Service Insurance Fund
Cash Assets:				
Equity in Pooled Cash and Cash Equivalents	\$532,745	\$40,368	\$573,113	\$308,526
Total Cash Assets	532,745	40,368	573,113	308,526
Net Assets:				
Unrestricted	\$532,745	\$40,368	\$573,113	\$308,526

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**RECONCILIATION OF TOTAL ENTERPRISE FUND BALANCES
TO NET ASSETS OF BUSINESS-TYPE ACTIVITIES
DECEMBER 31, 2004**

Total Enterprise Fund Balances \$573,113

**Amounts reported for business-type activities in the statement of
net assets are different because**

Business-type activities' net assets include a portion of the internal service
funds' cash and cash equivalents. The proprietary funds'
statements include all of these assets.

95,643

Net Assets of Business-type Activities

\$668,756

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Business-Type Activities</u>			<u>Governmental and Business Type Activity</u>
	<u>Hardin Hills</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	<u>Internal Service</u>
Operating Cash Receipts:				
Charges for Services	\$3,141,875	\$625,427	\$3,767,302	\$1,698,588
Gifts	60		60	
Other Operating Receipts	<u>33,924</u>		<u>33,924</u>	<u>14,743</u>
Total Operating Cash Receipts	3,175,859	625,427	3,801,286	1,713,331
Operating Cash Disbursements:				
Personal Services	2,606,255	160,560	2,766,815	
Contract Services	131,388	478,467	609,855	1,867,298
Supplies and Materials	478,268	36,171	514,439	
Capital Outlay	<u>11,538</u>	<u>919</u>	<u>12,457</u>	
Total Operating Cash Disbursements	<u>3,227,449</u>	<u>676,117</u>	<u>3,903,566</u>	<u>1,867,298</u>
Operating (Loss)	(51,590)	(50,690)	(102,280)	(153,967)
Non-Operating Cash Receipts/(Disbursements):				
Bond Proceeds		13,000	13,000	
Interest Expense & Fiscal Charges		(2,250)	(2,250)	
Other Non-Operating Revenue	<u>22,679</u>		<u>22,679</u>	
Total Non-Operating Cash Revenues/(Disbursements)	<u>22,679</u>	<u>10,750</u>	<u>33,429</u>	
Cash Receipts (Under) Cash Disbursements	(28,911)	(39,940)	(68,851)	(153,967)
Operating Transfers-In		70,145	70,145	
Advances-In				2
Advances-Out		<u>(28,600)</u>	<u>(28,600)</u>	<u>(2)</u>
Changes in Net Assets	(28,911)	1,605	(27,306)	(153,967)
Net Assets - Beginning of Year	<u>561,656</u>	<u>38,763</u>	<u>600,419</u>	<u>462,493</u>
Net Assets - End of Year	<u><u>\$532,745</u></u>	<u><u>\$40,368</u></u>	<u><u>\$573,113</u></u>	<u><u>\$308,526</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS,
AND CHANGES IN FUND NET ASSETS - MODIFIED CASH BASIS
PROPRIETARY FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2004**

Change Net Assets in Fund Balances - Total Enterprise Funds (\$27,306)

**Amounts reported for business-type activities in the
statement of activities are different because**

Internal service funds charge insurance costs to other funds. The entity-wide statements eliminate business-type fund expenditures and related internal service fund charges. Business-type activities report allocated net internal service fund revenues (expenses).

(47,730)

Change in Net Cash Assets of Business-Type Activities

(\$75,036)

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - MODIFIED CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	Private Purpose Trust	Agency
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	295,560	2,234,102
Cash and Cash Equivalents in Segregated Accounts		171,425
Total Cash Assets	\$295,560	\$2,405,527
Net Assets:		
Unrestricted	109,279	2,405,527
Restricted	186,281	
Total Net Assets	\$295,560	\$2,405,527

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
MODIFIED CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Private Purpose Trusts</u>
Cash Additions:	
Contributions	10,149
Interest	<u>9,217</u>
Total Cash Additions	19,366
Cash Deductions:	
Payments in Accordance with Trust Agreements	<u>26,147</u>
Total Cash Deductions	<u>26,147</u>
Changes in Net Assets	(6,781)
Net Assets - Beginning of Year	<u>302,341</u>
Net Assets - End of Year	<u><u>\$295,560</u></u>

See Accompanying Notes to the Basic Financial Statements.

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**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004**

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

A. Component Units

HARCO Industries, Inc.

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

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

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.

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Family and Children First Council

The Family and Children First Council (FCFC) 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.

Logan County Juvenile Detention Center

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

The JDC is governed by a five member board consisting of the Juvenile Judge and a County Commissioner from each participating county (Logan and Hardin). The Logan County Juvenile Judge shall be responsible for selecting the fifth member annually.

Financial information can be obtained from the Logan County Auditor, Mike Yoder, Jail Office Complex, 100 South Madriver Street, Room 103, Bellefontaine, Ohio 43311

C. Joint Ventures:

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

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

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

During 2004, tax revenues generated by the levy in Hardin County totaled \$146,816 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, 2003. 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, Joe Campbell, 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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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.

County Employee Benefit Consortium of Ohio, Inc.

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

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

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

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

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

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

Hardin County General Health District

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

Soil and Water Conservation District

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

Other Districts

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

B. Basis of Presentation

For 2004, the County has implemented the provision of GASB 34 for financial reporting on a modified-cash basis, which is a basis of accounting other than accounting principles generally accepted in the United States of America and GASB 38, for certain financial note disclosures. However, there are no adjustments to beginning fund balances since the basis of accounting has not changed. The County's basic financial statements consist of government-wide statements, including a statement of net cash assets and a statement of activities, and fund financial statements that provide a more detailed level of financial information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Government-wide Financial Statements

The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government (except for fiduciary funds) and the discretely presented component units. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

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

2. Fund Financial Statements

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

C. Fund Accounting

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Governmental Funds

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

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

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

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

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

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

2. Proprietary Funds

The proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds - Enterprise funds may be used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services to the general public on a continuing basis be financed or recovered through user charges. Hardin Hills which provides residential care and medical services for the elderly is the County's only major enterprise fund.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the County on a cost-reimbursement basis. During 2004, the County's internal service fund continued to pay eligible medical benefits from a self-insurance program for employees of the County which was ended December 31, 2003. Also during 2004, the County utilized the internal service fund to make payments to a health insurance pool.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Fiduciary Funds

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

D. Cash, Cash Equivalents, and Investments

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

During 2004, investments were limited to Federal National Mortgage Association Discount Notes, Federal Home Loan Mortgage Corporation Notes, STAR Ohio, and Certificates of Deposit. The County records all its investments at cost.

The County has invested funds in the State Treasury Assets Reserve of Ohio (STAR Ohio) during 2004. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on December 31, 2004.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2004 amounted to \$257,606, which includes 235,913 assigned from other County funds. For calendar year 2004, interest receipts amounted to \$271,167 in which \$257,606 was recorded in the General Fund; \$3,729 was recorded in the Pike Repair Fund; \$387 in the MRDD Fund; and \$9,445 was recorded in Other Non-major Special Revenue Funds.

The County has segregated bank accounts for monies held separate from the County's central bank accounts. These accounts are presented in the combined balance sheet as "cash and cash equivalents in segregated accounts" since they are not deposited into the County treasury.

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets and Depreciation

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

F. Compensated Absences

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

G. 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.

H. Intergovernmental Revenues

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

The County's Department of Job and Family Services (JFS) distributes federal food stamps to entitled recipients within Hardin County. The receipt and issuance of these stamps have the characteristics of federal "grants", however, the JFS merely acts in an intermediary capacity. Therefore, the activity and inventory value of the stamps is not reflected in the accompanying financial statements. The County's JFS distributed approximately \$1,829,366 of federal food stamps during 2004.

I. Long-Term Obligations

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

J. Net Cash Assets

Net cash assets consist of cash receipts and balances reduced by cash disbursements for the current year. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. Restricted for Other Purposes is comprised of net assets restricted for grants.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Interfund Transactions

In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated. Transfers between governmental and business-type activities on the government-wide statements are reported in the same Exchange transactions between funds are reported as cash receipts in the seller fund and cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financial sources/uses in governmental funds and after nonoperating cash receipts/disbursements in the proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

3. DEPOSITS AND INVESTMENTS

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

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.

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

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;

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

5. Time certificates of deposit or savings or deposit accounts, including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to exchange either securities described in division (1) or (2) or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper in an amount not to exceed five percent of the County's total average portfolio; and
10. Bankers acceptances for a period not to exceed 270 days and in an amount not to exceed ten percent of the County's total average portfolio.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the County, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand - At year end, the County had \$2,500 in un-deposited 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 \$9,093,644 and the bank balance, including non-negotiable certificates of deposit and the amount of deposits representing custodial funds described in Note 1 was \$9,951,125. Of the bank balance, \$496,865 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, 2004, 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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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, 2004, the County's investments were as follows:

<u>Description</u>	<u>Category 2</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Federal Agency Securities	\$2,000,000	\$2,000,000	\$1,990,139
STAR Ohio (Not Categorized)		387,808	387,808
Total		<u>\$2,387,808</u>	<u>\$2,377,947</u>

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, 2004, was \$12.85 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$12.85 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 \$11.30 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$12.28 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, 2004, was 23% of true value.

The assessed value upon which the 2003 taxes were collected was \$425,713,719.

Real Property - 2003 Valuation:	
Residential	\$211,834,870
Agriculture	83,839,930
Commercial	34,513,640
Industrial	17,125,000
Public Utilities	574,940
Tangible Personal Property – 2004 Valuation:	
General	52,213,580
Public Utilities	<u>24,400,590</u>
Total Valuation	<u>\$425,713,719</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

4. PROPERTY TAXES (Continued)

Real property taxes for tax year 2003 are payable annually or semi-annually. If paid annually, payment is due February 11, 2004. If paid semi-annually, the first payment is due February 11, 2004 with the remainder payable by July 20, 2004. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

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

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

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

5. PERMISSIVE SALES AND USE TAX

The County Commissioners by resolution have imposed a one percent tax on retail sales made in the County effective March, 1990. 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. Sales and use tax revenue for 2004 amounted to \$1,951,423 and is recorded in the General Fund.

6. SHORT TERM DEBT

On September 28, 2004, the County issued a \$600,000 Landfill Slurry Wall (Special Assessment) Bond Anticipation Note due September 27, 2005 at 3.62 percent interest. This debt retired the original Bond Anticipation Note issued in September 2003 for \$650,000, the proceeds which were utilized to construct the landfill slurry wall.

<u>Description</u>	<u>Issue Date</u>	<u>Issue Rate %</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>	<u>Maturity Date</u>
Slurry Wall Bond Anticipation Note	Sept 2004	3.62	\$600,000	\$600,000	Sept 2005

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. 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, 2004, are summarized below:

	Debt Principal Outstanding 1-Jan-04	Debt Principal Issued in 2004	Debt Principal Retired in 2004	Debt Principal Outstanding 31-Dec-04
General Obligation Bonds	\$1,304,998		\$155,000	\$1,149,998
Special Assessment Bonds with Government Commitment	350,400	13,000	78,300	285,100
OWDA Landfill Closure	586,790		42,148	544,642
OPWC Loans	61,628		11,246	50,382
Total	\$2,303,816	\$ 13,000	\$286,694	\$2,030,122

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

The Special Assessment 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.

A road and bridge project which was financed in the amount of \$19,498 with an OPWC loan to the County was started in 2002 and completed in 2003. The loan is scheduled for repayment over a five year period beginning January 2004.

The following are descriptions of the bonds and loans that existed in 2004 and were outstanding as of December 31, 2004:

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. LONG TERM DEBT (Continued)

<u>Description</u>	<u>Issue Date</u>	<u>Issue Rate %</u>	<u>Original Amount</u>	<u>2004 Paid Amount</u>	<u>Outstanding Amount</u>	<u>Maturity Date</u>
General Obligation Bonds						
County Courthouse Annex Bond	Oct 2002	various	\$1,454,998	\$155,000	\$1,149,998	Dec 2012
Special Assessment Bonds:						
Kasler Ditch	2002	5.00%	\$64,000	\$13,000	\$37,000	2007
Robinson Ditch	2002	5.00%	5,500	1,200	3,100	2007
Dawson Ditch	2001	4.45%	5,300	1,000	2,000	2006
Beaver Pond Ditch	2001	4.86%	11,000	2,000	4,000	2006
Frisch Ditch	2001	4.45%	7,600	1,500	3,000	2006
Roots Subdivision	2004	4.25%	13,000	-----	13,000	2007
Pattison Ave. Ditch	2003	3.94%	260,000	37,000	223,000	2011
Lease Ditch	1999	5.00%	68,000	13,600	-----	2004
Bloom Ditch	2000	5.60%	48,000	9,000	-----	2004
Total Special Assessment Bonds				<u>\$78,300</u>	<u>\$285,100</u>	
Total Bond Debt				<u>\$233,300</u>	<u>\$1,435,098</u>	
Loans						
OWDA Loan	July 97	4.56%	\$891,616	\$ 42,148	\$544,642	Jan 2014
OPWC Loan	Jan 04	0.00%	\$19,498	3,900	13,648	2008
OPWC Loan	July 99	0.00%	\$73,468	\$7,347	\$36,734	2010
Total Loans				<u>\$53,395</u>	<u>\$595,024</u>	
Total Bonds and Loans				<u>\$286,695</u>	<u>\$2,030,122</u>	

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2004, including interest payments of \$459,867 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds with Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loans	Total
2005	180,910	68,361	68,431	11,246	328,948
2006	182,965	65,338	68,431	11,246	327,980
2007	184,445	55,448	68,431	11,246	319,570
2008	180,320	35,886	68,431	9,297	293,934
2009	180,700	34,664	68,431	7,347	291,142
2010-2014	<u>520,600</u>	<u>65,664</u>	<u>342,151</u>	-	<u>928,415</u>
Total	1,429,940	325,361	684,306	50,382	2,489,989
Less Interest	<u>(279,942)</u>	<u>(40,261)</u>	<u>(139,664)</u>	<u>(-)</u>	<u>(459,867)</u>
Principal	<u>\$1,149,998</u>	<u>\$285,100</u>	<u>\$544,642</u>	<u>\$ 50,382</u>	<u>\$2,030,122</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

7. LONG TERM DEBT (Continued)

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

The effects of the debt limitations described above at December 31, 2004 are an overall debt margin of \$9,142,843 and an unvoted debt margin of \$4,257,137.

8. PENSION OBLIGATIONS

Ohio Public Employees Retirement System (OPERS)

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

1. The Traditional Pension Plan (TP) a cost-sharing multiple-employer defined benefit pension plan.
2. The member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings thereon.
3. The Combined Plan (CO) - a cost-sharing multiple-employer defined benefit pension plan. Under the Combined Plan employer contributions are invested by the retirement system to provide a formula retirement benefit similar in nature to the Traditional Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Plan and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The authority to establish and amend benefits is established by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2004, member and employer contribution rates were consistent across all three plans. Separate divisions for law enforcement and public safety exist only within the Tradition Pension Plan. The 2004 member contribution rates were 8.5% for members in classifications other than law enforcement and public safety. Members in the law enforcement classification, which consists generally of sheriffs, deputy sheriffs and township police, contributed at a rate of 10.1%. The 2004 employer contribution rate for local government employer units was 13.55% of covered payroll. For the law enforcement division, the employer contribution rate for 2004 was 16.7%.

The County's contributions to OPERS for all employees for the years ended December 31, 2004, 2003, and 2002, were \$1,274,181, \$1,302,182, and \$1,239,547, respectively; 100 percent has been contributed for 2004, 2003, and 2002.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

8. PENSION OBLIGATIONS

State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement, 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, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371 or by calling (614) 227-4090.

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

DB Plan Benefits - Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service credit and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the "formula benefit" or the "money-purchase benefit" calculation. Under the "formula benefit," the retirement allowance is based on years of credited service and final average salary, which is the average of the member's three highest salary years.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

8. PENSION OBLIGATIONS (Continued)

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

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

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

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

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

For 2004, plan members were required to contribute 10 percent of their annual covered salaries. The County was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The County's contributions to STRS for the years ended December 31, 2004, 2003, and 2002, were \$42,554, \$43,772, and \$43,633, respectively; 100 percent has been contributed for 2004, 2003, and 2002.

Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2004, none have elected Social Security.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

9. POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) provides post-retirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit and primary survivor recipients of such retirees under the Traditional and Combined Plans. However, members of the Member-Directed Plan do not qualify for post-employment health care coverage. 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 Post-employment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Post-employment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care based on authority granted by State statute. The employer contribution rate for 2004 was 13.55 percent of covered payroll for employees not engaged in law enforcement; 4.0 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2004 was 16.7 percent; 4.0 percent was used to fund health care.

Benefits are advance-funded using an entry age normal actuarial cost method of valuation. Significant actuarial assumptions, based on OPERS' latest actuarial review performed as of December 31, 2003, include a rate of return on investments of 8.0 percent, an annual increase in active employee total payroll of 4.0 percent compounded annually (assuming no change in the number of active employees) and additional annual payroll increase over and above the 4.0 percent base increase were assumed to range from 0.50% to 6.3 %. Health care premiums were assumed to increase at the projected wage inflation rate plus an additional factor ranging from 1% to 6% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase at 4.0 percent (the projected wage inflation rate).

All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted to reflect 25 percent of unrealized market appreciation or depreciation on investment assets annually.

The number of active contributing participants in the Traditional and Combined Plans was 369,885. The County's contributions for 2004 that were used to fund post-employment benefits were \$364,000. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for OPEBs at December 31, 2003, (the latest information available) were \$10.5 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$26.9 billion and \$16.4 billion, respectively.

On September 9, 2004, the OPERS Retirement Board adopted a Health Care Preservation Plan (HCPP) with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

9. POSTEMPLOYMENT BENEFITS (Continued)

State Teachers Retirement System

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the fiscal years ended June 30, 2004 and June 30, 2003, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$3,040 for 2004. The balance in the Health Care Stabilization Fund on June 30, 2004(the latest information available), was \$3.1 billion.

For the year ended June 30, 2004, net health care costs paid by STRS Ohio were \$268,739,000 and there were 111,853 eligible benefit recipients.

10. 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 2004 and balances outstanding at December 31, 2004 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2004	Principal Outstanding Dec-31- 2004
Innoplas, Inc.	4.75%	2013	20,491	219,622
Buckeye Machine & Fab	5%	2004	3,155	
*Choice Auto, LLC	5%	2012	18,928	9,304
*Choice Auto, LLC	5%	2024		14,861
Innoplas, Inc.	4%	2009	748	24,116
*Harman Tech Coatings	5%	2004		74,897
Innoplas, Inc.	5%	2007	11,328	44,410
Laugh and Learn Day Care	5%	2024	3,409	89,252
Mt. Victory Meats	5%	2006	2,571	4,105
Mt. Victory Meats	5%	2004	1,869	
*Sheldon's Auto Service	5%	2012	<u>1,500</u>	<u>22,041</u>
Total Principal Paid and Outstanding			<u>\$63,999</u>	<u>\$502,608</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

11. RISK MANAGEMENT

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

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

General Liability	\$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)	48,688,716
Contractor's Equipment	Actual Cash Value
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.

12. SIGNIFICANT OTHER OBLIGATIONS

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. The Department has repaid the following amounts for the respective years: 2001 - \$50,000; 2002 - \$80,000; 2003 - \$70,000 and 2004 - \$56,401. The outstanding balance of \$14,850 will be repaid through the year ended 2006 as approved by the ODJFS.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

12. SIGNIFICANT OTHER OBLIGATIONS (Continued)

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. During 2004, \$41,299 was repaid to complete the total repayment.

13. RELATED PARTY TRANSACTIONS

During 2004, Hardin County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported \$1,107,965 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.

During 2004, Hardin County provided the staff salaries, transportation, equipment and other funds as necessary to the Hardin County Housing Development, Inc. (HCHD). HCHD, which is one of the discretely presented component units of Hardin County, reported \$13,041 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

14. CONTINGENT LIABILITIES

A. Grants

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds.

However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the County at December 31, 2004.

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 \$2,362,564 will be incurred over the remaining 21.5 of the 30 year monitoring period. Actual costs may differ due to inflation, changes in technology, or changes in regulations. The County obtained a promissory note for the face amount of the estimated post closure costs in the event fees or tax revenue would not be sufficient to cover the annual post closure costs. Presently a solid waste transfer station is operating and transfer fees and tax revenues are financing the post closure costs.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

15. SUBSEQUENT EVENT

During 2005, the County wrote off three loans as uncollectible, in the amount of \$121,104, from the revolving loan fund. See Note 2 to the Schedule of Federal Awards Expenditures.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$1,024,584	\$1,024,584	\$1,024,584	
Resources (Inflows):				
Property Taxes	1,059,000	1,059,000	1,075,873	16,873
Sales Taxes	1,825,000	1,825,000	1,951,423	126,423
Charges for Services	837,000	837,000	1,147,648	310,648
Licenses and Permits	2,000	2,000	3,049	1,049
Fines & Forfeitures	20,000	20,000	18,899	(1,101)
Intergovernmental Receipts	905,000	905,000	916,279	11,279
Interest on Investments	300,000	300,000	257,606	(42,394)
Rent	2,000	2,000	600	(1,400)
All Other Revenue	88,000	88,000	148,753	60,753
Other Financing Sources	2,000	2,000	3,870	1,870
Transfers In	30,000	30,000	2,680	(27,320)
Advances In			54,887	54,887
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts Available for Appropriation:	6,094,584	6,094,584	6,606,151	511,567
Charges to Appropriation (Outflows):				
General Government				
Legislative and Executive	2,566,038	2,587,826	2,482,188	(105,638)
Judicial	1,073,693	1,145,609	1,095,891	(49,718)
Public Safety	1,672,180	1,688,698	1,657,689	(31,009)
Public Works	21,150	21,054	20,047	(1,007)
Human Services	202,363	204,821	170,230	(34,591)
Miscellaneous	210,369	209,876	209,876	
Other Financing Uses				
Transfers Out	70,000	158,068	141,750	(16,318)
Advances Out			19,000	19,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Charges to Appropriations:	5,815,793	6,015,952	5,796,671	(219,281)
Ending Budgetary Balance:	<u>\$278,791</u>	<u>\$78,632</u>	<u>\$809,480</u>	<u>\$292,286</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
PIKE REPAIR FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$600,662	\$600,662	\$600,662	
Resources (Inflows):				
Charges for Services	560,000	560,000	290,358	(269,642)
Fines & Forfeitures	50,000	50,000	31,804	(18,196)
Intergovernmental Receipts	3,265,000	3,265,000	3,176,956	(88,044)
Interest on Investments	10,000	10,000	3,729	(6,271)
All Other Revenue	210,000	210,000	43,057	(166,943)
Other Financing Sources	<u>65,000</u>	<u>65,000</u>	<u>57,456</u>	<u>(7,544)</u>
Amounts Available for Appropriation:	4,760,662	4,760,662	4,204,022	(556,640)
Charges to Appropriation (Outflows):				
Public Works	3,864,645	3,718,287	3,332,994	385,293
Capital Outlay	598,000	745,569	477,313	268,256
Other Financing Uses				
Transfers Out	<u>12,000</u>	<u>12,000</u>	<u>11,246</u>	<u>754</u>
Total Charges to Appropriations:	<u>4,474,645</u>	<u>4,475,856</u>	<u>3,821,553</u>	<u>654,303</u>
Ending Budgetary Balance:	<u>\$286,017</u>	<u>\$284,806</u>	<u>\$382,469</u>	<u>\$97,663</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
JOB AND FAMILY SERVICES FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$47,037	\$47,037	\$47,037	
Resources (Inflows):				
Intergovernmental Receipts	2,311,554	2,311,554	2,582,002	270,448
Gifts	1,000	1,000		(1,000)
All Other Revenue	546,457	546,457	301,686	(244,771)
Other Financing Sources			350	350
Transfers In	450,000	450,000		(450,000)
Advances In			3,000	3,000
	<u>3,356,048</u>	<u>3,356,048</u>	<u>2,934,075</u>	<u>(421,973)</u>
Amounts Available for Appropriation:	3,356,048	3,356,048	2,934,075	(421,973)
Charges to Appropriation (Outflows):				
Human Services	3,310,430	3,264,911	2,754,773	510,138
Capital Outlay	20,000	91,118	78,018	13,100
Other Financing Uses				
Transfer Out	100,000	19	19	
Advances Out			3,000	(3,000)
	<u>3,430,430</u>	<u>3,356,048</u>	<u>2,835,810</u>	<u>520,238</u>
Total Charges to Appropriations:	<u>3,430,430</u>	<u>3,356,048</u>	<u>2,835,810</u>	<u>520,238</u>
Ending Budgetary Balance:	<u>(\$74,382)</u>	<u>\$0</u>	<u>\$98,265</u>	<u>\$98,265</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
MRDD FUND
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$589,673	\$589,673	\$589,673	
Resources (Inflows):				
Property Taxes	1,085,816	1,085,816	1,058,099	(27,717)
Charges for Services	7,000	7,000	5,607	(1,393)
Intergovernmental Receipts	1,014,135	1,014,135	1,003,929	(10,206)
Gifts	500	500	93	(407)
All Other Revenue	<u>25,000</u>	<u>55,000</u>	<u>92,457</u>	<u>37,457</u>
Amounts Available for Appropriation:	2,722,124	2,752,124	2,749,858	(2,266)
Charges to Appropriation (Outflows):				
Human Services	2,611,972	2,722,814	2,492,792	(230,022)
Capital Outlay	<u>22,000</u>	<u>19,000</u>	<u>10,901</u>	<u>(8,099)</u>
Total Charges to Appropriations:	<u>2,633,972</u>	<u>2,741,814</u>	<u>2,503,693</u>	<u>(238,121)</u>
Ending Budgetary Balance:	<u>\$88,152</u>	<u>\$10,310</u>	<u>\$246,165</u>	<u>(\$240,387)</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2004**

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

BUDGETARY PROCESS

A. Budget

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

B. Estimated Resources

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

C. Appropriations

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the Fall with respective officeholders and department heads.
2. Shortly before the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2004 and were considered routine.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

BUDGETARY PROCESS (Continued)

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

D. Encumbrances

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2004**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF AGRICULTURE				
<i>(Passed through Ohio Department of Education)</i>				
Nutrition Cluster:				
Food Donation	10.550			\$1,664
National School Lunch Program	10.555	LL-P4-03	1,099	
Total Nutrition Cluster			1,099	1,664
Total United States Department of Agriculture			1,099	1,664
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant	14.228		335,623	
Home Investment Partnership Program (HOME)	14.239		148,431	
Total U.S. Department of Housing and Urban Development			484,054	
U.S. DEPARTMENT OF JUSTICE				
<i>(Passed through Ohio Department of Youth Services)</i>				
Juvenile Justice and Delinquency Prevention	16.540	03-JJ-DP2-0080	32,029	
<i>(Passed through Office of Criminal Justice Services)</i>				
Byrne Formula Grant Program	16.579	03-DG-C01-7147	47,976	
Total United States Department of Justice			80,005	
U.S. DEPARTMENT OF EDUCATION				
<i>(Passed through Ohio Department of Education)</i>				
Special Education Cluster:				
Special Education Grants to States	84.027	6B-SF-05 6B-SF-04	2,262 22,198	
Special Education_Preschool Grants	84.173	PG-S1-05 PG-S1-04	2,656 9,311	
Total Special Education Cluster:			36,427	
State Grants for Innovative Programs	84.298	C2-S1-04	484	
Total United States Department of Education			36,911	
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>(Passed through Ohio Department of Mental Retardation and Developmental Disabilities)</i>				
Social Services Block Grant (Title XX)	93.667		19,465	
Medical Assistance Programs - (Title XIX - CAFS)	93.778	CAFS TCMT WAIV	237,727 46,816 8,389	
Total Medical Assistance Programs			292,932	
<i>(Passed through Ohio Department Job and Family Services)</i>				
Child Welfare Services_State Grant	93.645		28,392	
Child Abuse and Neglect Discretionary Activities	93.670		1,995	
Chafee Foster Care Independent Living	93.674		1,000	
Total United States Department of Human Services			343,784	
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Emergency Management Agency)</i>				
Public Assistance Grants	97.036		18,657	
State Domestic Preparedness Equipment Support Program	97.004	2004-GE-T4-0025 2003-MUP-30015 2003-TE-TX-0199 2002-TE-CX-0106	102,572 118,890 19,384 2,040	
Total State Domestic Preparedness Equipment Support Program			242,886	
Emergency Management Performance Grants	97.042	K965	19,397	
Community Emergency Response Teams	97.054	EMC-2003-GR-7066	5,400	
Total U.S. Department of Homeland Security			286,340	
TOTAL FEDERAL AWARDS EXPENDITURES			\$1,232,193	\$1,664

See Accompanying Notes to the Schedule of Federal Awards Expenditures.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004**

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)

Revolving Loan Program

1. 2004 Activity

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

Small Business Revolving Loans	Loan Activity and Balances	Cash Activity and Balances
Beginning Balance January 1, 2004	\$541,744	\$125,981
Loan Principal Repayments / Cash Receipts	(64,000)	85,972
Loan and Grant Disbursements / Disbursements	24,864	(53,790)
Ending Balances December 31, 2004	502,608	158,163

2. Subsequent Event – Revolving Loans

A. Choice Auto

Choice Auto owners, Tim and Tara Cole, have filed Chapter 7 bankruptcy and listed their revolving loans in that bankruptcy filing. Choice Auto obtained two loans from the County Revolving Loan Fund during April of 2002 in the amounts of \$30,000 for 10 years at 5% interest and \$15,200 for 20 years at 5% interest. At December 31, 2004 the unpaid balances were \$9,304 and \$14,862 respectively.

B. Harmon Technical Coating

Harmon Technical Coating officer, Ben Harmon, has not paid on the loan for over 4 years. Harmon Technical Coatings obtained a loan from the County Revolving Loan Fund in October of 1997 in the amount of \$100,000 for 7 years at 5% interest. At December 31, 2004 the unpaid balance was \$74,897.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2004
(Continued)**

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

C. Sheldon's Automotive

Sheldon's Automotive owner, Gerrick Sheldon, has liquidated all business and personal assets. Sheldon's Automotive obtained a loan from the County Revolving Loan Fund in April of 2002 in the amount of \$25,015 at 5% interest. At December 31, 2004 the unpaid balance was \$22,041.

During 2005, the above loans from the revolving loan fund were written off as uncollectible by the County.

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

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

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

NOTE 4 - PUBLIC ASSISTANCE GRANT CFDA # 97.036

The Public Assistance Grant expenditures were made during 2004 for snow removal and were reimbursed with the cash being received during 2005. Since the expenditures were made during 2004, this grant is reflected on the current year schedule of federal awards expenditures.

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Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County (the "County") as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 7, 2005, wherein we noted the County uses a comprehensive basis of accounting other than generally accepted accounting principles. We did not audit the financial statements of the component units, HARCO Industries, Inc., which represents 22 percent and 51 percent respectively, and Hardin County Housing Development, Inc., which represents 3 percent and 2 percent respectively, of the assets and revenues of the component unit column. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, HARCO Industries, Inc. and Hardin County Housing Development, Inc. is based on the reports of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Other Auditors audited the financial statements of the component unit HARCO Industries, Inc. in accordance with auditing standards generally accepted in the United States of America and not in accordance with *Governmental Auditing Standards* and accordingly this report does not extend to that component unit.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the County's internal control over financial reporting to determine our auditing procedures in order to express our opinions on the financial statements and not to opine 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 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 management's assertions in the financial statements. A reportable condition is described in the accompanying schedule of findings as item 2004-004.

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A material weakness is a reportable 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 caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered material weaknesses. However, we do not believe the reportable condition described above is a material weakness. In a separate letter to the County's management dated September 7, 2005, we reported other matters involving internal control over financial reporting which we did not deem reportable conditions.

Compliance and Other Matters

As part of reasonably assuring whether the County's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that we must report under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2004-001 through 2004-003. In a separate letter to the County's management dated September 7, 2005, we reported other matters related to noncompliance we deemed immaterial.

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



Betty Montgomery
Auditor of State

September 7, 2005



Auditor of State Betty Montgomery

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

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

To the Board of County Commissioners:

Compliance

We have audited the compliance of Hardin County (the "County") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that apply to each of its major federal programs for the year ended December 31, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

As described in items 2004-005 and 2004-007 in the accompanying schedule of findings, the County did not comply with requirements regarding cash management applying to its Community Development Block Grant and Home Investment Partnership Program. Compliance with those requirements is necessary, in our opinion, for the County to comply with requirements applicable to those programs.

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 apply to each of its major federal programs for the year ended December 31, 2004. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that OMB Circular A-133 requires us to report, which are described in the accompanying schedule of findings as items 2004-006 and 2004-008.

Internal Control Over Compliance

The County's management 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 directly and materially affect a major federal program 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 reportable 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 caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. In a separate letter to the County's management dated September 7, 2005, we reported another matter related to the internal control over federal noncompliance not requiring inclusion in this report.

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



Betty Montgomery
Auditor of State

September 7, 2005

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2004**

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):	CFDA # 14.228: Community Development Block Grant (CDBG) CFDA # 14.239: Home Investment Partnership Program (HOME) CFDA # 93.778: Medical Assistance Programs / Medicaid Title XIX – Community Alternative Funding (CAFS)
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

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

FINDING NUMBER 2004-001

Ohio Rev. Code Section 9.38 states, in part, that public money must be deposited with the treasurer of the public office or to a designated depository on the business day following the day of receipt. Public money collected for other public offices must be deposited by the first business day of the week following the date of collection. If the amount of daily receipts does not exceed \$1,000 and the receipts can be safeguarded, public offices may adopt a policy permitting their officials who receive this money to hold it past the next business day, but the deposit must be made no later than three business days after receiving it. If the public office is governed by a legislative authority, (counties, municipalities, townships, and school districts) only the legislative authority may adopt the policy. The policy must include provisions and procedures to safeguard the money during the intervening period. If the amount exceeds \$1,000 or a lesser amount cannot be safeguarded, the public official must then deposit the money on the next business day. The County has passed a policy that all amounts are to be deposited daily for all departments without exception. During 2004, the County Engineer's Office held the following deposits in a lock box for more than day before depositing with the County Treasurer:

Engineer Receipt Date	Amount	County Pay-in-Order Date
21-Jan-04	\$10,231.13	23-Jan-04
25-May-04	4,354.76	27-May-04
17-Jun-07	5,312.55	24-Jun-04
26-Jul-04	5,675.00	29-Jul-04
5-Aug-04	21,093.02	10-Aug-04
19-Oct-04	3,454.33	21-Oct-04
19-Oct-04	3,446.19	21-Oct-04

The Engineer's Office should implement procedures to help assure compliance with this requirement.

FINDING NUMBER 2004-002

Ohio Rev. Code Section 5543.19(B) states, in part, that the county engineer may, when authorized by the board of county commissioners and not required by this section or other law to use competitive bidding, employ such laborers and vehicles, use such county employees and property, lease such implements and tools, and purchase such materials as are necessary in the construction, reconstruction, improvement, maintenance, or repair of bridges and culverts by force account.

In determining whether such construction, reconstruction, improvement, maintenance, or repair of bridges or culverts may be undertaken by force account, the county engineer shall first cause to be made an estimate of the cost of such work using the force account project assessment form. When the total estimated cost of the work exceeds one hundred thousand dollars, the board of county commissioners shall invite and receive competitive bids for furnishing all the labor, materials, and equipment necessary to complete the work, in accordance with sections 307.86 to 307.92 of the Revised Code. The county engineer shall obtain the approval required by Section 5543.02 of the Revised Code.

All three of the County's bridge projects during 2004 had an estimated cost (bridge structure & installation) exceeding \$100,000; however, only the bridge structures were placed for bid and not the entire project.

The County should bid the entire bridge project, structure and installation, if the estimated cost of the project exceeds \$100,000.

FINDING NUMBER 2004-003

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

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

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

FINDING NUMBER 2004-004

Reportable Condition

Obtaining a SAS 70 Audit Report

When an entity utilizes a service organization to process financially significant accounting transactions, the service organization should provide a Tier II Statement of Auditing Standards (SAS) 70 audit report. This report provides assurance over the design and operation of the service organization's internal controls over processing the user entity's transactions. The service organization's failure to contract for a SAS 70 audit prevents the user entity from obtaining an independent assessment of the internal control system including any deficiencies which may exist at the service organization.

The County did not obtain a SAS 70 audit report from their service organization that processes medical claims for residents of the County Nursing Home.

The County should revise their contract with the service organization to include a requirement for an annual Tier II SAS 70 audit. The County should be provided with a copy of the SAS 70 report and then review the report's content for any control deficiencies and user control considerations. User control considerations are those concerns which require action by the user entity.

FINDING NUMBER 2004-005

3. FINDINGS FOR FEDERAL AWARDS

FINDING NUMBER	2004-005
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-02-030-1 B-F-03-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

**FINDING NUMBER 2004-005
 (Continued)**

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), 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. 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. Escrow accounts were not established and the County maintained program balances in excess of \$5,000 throughout the year as follows:

Receipt Date	Amount	Balance Unspent within 15 days	Number of days until spent to less than \$5,000
31-March	\$ 36,800	\$17,075	28
11-May	69,200	13,397	23
24-June	43,000	30,287	49
19-July	12,387	11,937	38
30-August	83,000	31,980	80
Total		\$104,676	

The County should implement procedures that will help assure that monies drawn down for the CDBG 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.

FINDING NUMBER	2004-006
CFDA TITLE AND NUMBER	Community Development Block Grant (CDBG) CFDA # 14.228
FEDERAL AWARD NUMBER / YEAR	B-F-02-030-1 B-F-03-030-1
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(l), states, in part, 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 (HUD). 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 established the Community Development Block Grant (CDBG) Fund T000 to account for CDBG grant monies. The monies from the CDBG Fund are pooled with other funds in an interest-bearing account, however interest was not allocated to the CDBG Fund for 2004. Based on the average daily interest rate and the number of days for each balance amount, interest income in the amount of \$410 should have been allocated to the CDBG Fund. This allocation of interest income exceeds the allowable limit of \$100 per each program and the excess was not remitted to OHCP or HUD for either program.

**FINDING NUMBER 2004-006
 (Continued)**

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

FINDING NUMBER	2004-007
CFDA TITLE AND NUMBER	Home Investment Partnerships Program (HOME) CFDA # 14.239
FEDERAL AWARD NUMBER / YEAR	B-C-02-030-2 / 2002
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f), 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. 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.

Escrow accounts were not established and the County maintained program balances in excess of \$5,000 throughout the year as follows:

Receipt Date	Amount	Balance Unspent within 15 days	Number of days until spent to less than \$5,000
15 - June	\$ 45,280	\$43,700	30
21 - June	40,765	39,185	31
Total		\$82,885	

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.

FINDING NUMBER	2004-008
CFDA TITLE AND NUMBER	Home Investment Partnerships Program (HOME) CFDA # 14.239
FEDERAL AWARD NUMBER / YEAR	B-C-02-030-2 / 2002
FEDERAL AGENCY	U.S. Department of Housing and Urban Development
PASS – THROUGH AGENCY	Ohio Dept. of Development

**FINDING NUMBER 2004-008
(Continued)**

Noncompliance / Cash Management

Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(I), 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 (HUD). 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 established the Block Grant Fund T00 to account for HOME grant monies. The monies from the Block Grant Fund are pooled with other funds in an interest-bearing account, however interest was not allocated to the HOME Fund for 2004. Based on the average daily interest rate and the number of days for each balance amount, interest income in the amount of \$203 should have been allocated to the HOME Fund. This allocation of interest income exceeds the allowable limit of \$100 per each program and the excess was not remitted to OHCP or HUD.

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 at least quarterly.

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2004**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No <u>Longer Valid</u> ; <i>Explain:</i>
2003-001	ORC Sec. 9.38 – The County Engineer’s Office did not deposit daily	No	Repeated as Finding # 2004-001
2003-002	ORC Sec. 5705.41 (D) – Failure to obtain prior certification for expenditures	No	Partially Corrected – repeated in the management letter
2003-003	ORC Sec. 117.38 & OAC Sec. 117-2-03 (B) - Failure to report and file financial statements in accordance with GAAP	No	Repeated as Finding # 2004-003
2003-004	Failure to obtain a SAS 70 report	No	Repeated as Finding # 2004-004
2003-005	Incorrect recording of financial activity between funds	Yes	
2003-006	Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(f) – Funds limited to a balance of \$5,000 and disbursed within 15 days of drawdown CDBG Program	No	Repeated as finding #'s 2004-005 and 2004-007
2003-007	Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(l) – Interest earned in excess of \$100 must be returned to HUD	County repaid this money, however, the comment will be repeated for this audit period	Repeated as finding #'s 2004-006 and 2004-008



**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
NOVEMBER 10, 2005**