



Mary Taylor, CPA
Auditor of State

**FINANCIAL CONDITION
HARDIN COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of County Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, (the County), as of and for the year ended December 31, 2006, 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 25 and 30 percent respectively, and Hardin County Housing Development, Inc. which represents 2 percent and 25 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*. 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 cash accounting basis. This is a comprehensive accounting basis other than generally accepted accounting principles. The accompanying financial statements and notes omit assets, liabilities, fund equities, and disclosures that, while material, we cannot determine at this time.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hardin County, as of December 31, 2006, and the respective changes in cash financial position, thereof for the year then ended in conformity with the basis of accounting Note 2 describes.

One First National Plaza / 130 W. Second St. / Suite 2040 / Dayton, OH 45402
Telephone: (937) 285-6677 (800) 443-9274 Fax: (937) 285-6688
www.auditor.state.oh.us

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2007, on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

November 21, 2007

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED**

The discussion and analysis of Hardin County's (the County) financial performance provides an overview of the County's financial activities for the year ended December 31, 2006, within the limitations of the County's cash basis of accounting. Please read this in conjunction with the County's financial statements that begin on page 11.

Financial Highlights

Key financial highlights for 2006 are as follows:

Overall:

- Total net assets increased \$1,863,811 with Governmental Activities increasing by \$1,789,659 and Business-Type Activities increasing by \$74,152.
- Total cash receipts were \$30,135,869 in 2006.
- Total cash disbursements were \$28,272,058 in 2006.

Governmental Activities:

- Total program cash receipts were \$15,272,491 in 2006, while program cash disbursements were \$24,115,948.
- Public Works and Human Services related programs had the largest cash disbursements totaling \$13,682,232 in 2006.

Business-Type Activities:

- Program cash receipts were \$4,143,803 for Business Activities, while corresponding cash disbursements were \$4,156,110. Hardin Hills contributed significantly to the increase in Net Assets in the business-type activities.

Using this Basic Financial Report

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

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

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 2006?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *only net assets* using the *cash basis of accounting*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. This basis of accounting takes into account only the current year's receipts and disbursements if the cash is actually received or paid. These two statements report the County's *net assets* and changes in those assets. This change in net assets is important because it tells the reader whether, for the County as a whole, the *cash basis financial position* of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, mandated federal and state programs and other factors.

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

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

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

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

Reporting the County's Most Significant Funds

Fund Financial Statements

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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 2006 compared to the prior year:

**Table 1
Net Cash Assets**

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Assets						
Equity in Pooled Cash & Cash Equivalents	\$9,167,239	\$7,394,417	\$915,238	\$841,086	\$10,082,477	\$8,235,503
Cash & Cash Equivalents in Segregated Accounts	27,205	26,417			27,205	26,417
Cash With Fiscal Agent	53,210	37,161			53,210	37,161
Total Assets	<u>9,247,654</u>	<u>7,457,995</u>	<u>915,238</u>	<u>841,086</u>	<u>10,162,892</u>	<u>8,299,081</u>
Net Cash Assets						
Restricted	4,935,519	5,519,333			4,935,519	5,519,333
Unrestricted (deficit)	4,312,135	1,938,662	915,238	841,086	5,227,373	2,779,748
Total Net Assets	<u>\$9,247,654</u>	<u>\$7,457,995</u>	<u>\$915,238</u>	<u>\$841,086</u>	<u>\$10,162,892</u>	<u>\$8,299,081</u>

Total net assets increased \$1,863,811 with Governmental Activities increasing by \$1,789,659 and Business-Type Activities increasing by \$74,152.

**Table 2
Changes In Net Cash Assets**

	Governmental Activities	Business-Type Activities	Total
Cash Receipts			
Program Cash Receipts			
Charges For Services, Permits, Fines and Fees	\$ 4,510,723	\$4,138,303	\$ 8,649,026
Operating Grants and Contributions	9,533,942	5,500	9,539,442
Capital Grants and Contributions	1,227,826		1,227,826
Total Program Cash Receipts	<u>15,272,491</u>	<u>4,143,803</u>	<u>19,416,294</u>
General Cash Receipts and Transfers			
Property Taxes			
General Purpose	1,153,735		1,153,735
911- Public Safety	246,760		246,760
Hospital - Health	1,680,443		1,680,443
MRDD - Human Service	1,994,040		1,994,040
Sales Taxes	3,286,234		3,286,234
Special Assessment Bonds Issued	9,300		9,300
Grants and Entitlements Not Restricted	954,730		954,730
Interest Receipts	637,269		637,269
Sale of Assets	21,788	8,362	30,150
Rent	214,718		214,718
Miscellaneous	459,099	53,097	512,196
Transfers/Advances (Net)	(25,000)	25,000	
Total General Cash Receipts, Transfers and Advances	<u>10,633,116</u>	<u>86,459</u>	<u>10,719,575</u>
Total Cash Receipts and Transfers	<u>25,905,607</u>	<u>4,230,262</u>	<u>30,135,869</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash Disbursements			
Program Cash Disbursements			
General Government			
Legislative and Executive	3,008,314		3,008,314
Judicial	1,736,661		1,736,661
Public Safety	2,304,822		2,304,822
Public Works	6,403,474		6,403,474
Health	2,082,081		2,082,081
Human Services	7,278,758		7,278,758
Conservation and Recreation	463,370		463,370
Economic Development	515,371		515,371
Debt Service:			
Principal Retirement	268,871		268,871
Interest and Fiscal Charges	54,226		54,226
Proprietary Funds		4,156,110	4,156,110
Total Cash Disbursements	<u>24,115,948</u>	<u>4,156,110</u>	<u>28,272,058</u>
Increase (Decrease) In Net Cash Assets	1,789,659	74,152	1,863,811
Net Cash Assets at Beginning of Year	<u>7,457,995</u>	<u>841,086</u>	<u>8,299,081</u>
Net Cash Assets at End of Year	<u>\$9,247,654</u>	<u>\$ 915,238</u>	<u>\$10,162,892</u>

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 20 percent and 13 percent, respectively, of cash receipts for governmental activities for Hardin County in fiscal year 2006. Operating grants and contributions made up 37 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 and operating grants and contributions. General cash receipts provide approximately 37 percent of the support for the total governmental cash disbursements as shown in Table 2. The taxpayers and the State of Ohio, as a whole, provide the vast majority of resources for Hardin County. Table 3 below shows the total and net cost of services (on a cash basis) for the County.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

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

	Total Cost of Services		Net Cost of Services	
	2006	2005	2006	2005
Cash Disbursements				
Program Cash Disbursements				
General Government				
Legislative and Executive	\$3,008,314	\$2,050,505	(\$1,780,332)	(\$827,101)
Judicial	1,736,661	1,855,047	(879,936)	(1,274,799)
Public Safety	2,304,822	2,119,687	(1,876,784)	(1,729,726)
Public Works	6,403,474	4,875,724	(458,862)	(69,688)
Health	2,082,081	3,992,075	(1,363,707)	(3,324,831)
Human Services	7,278,758	7,462,668	(1,656,912)	(2,245,216)
Conservation and Recreation	463,370	547,349	11,544	(315,441)
Economic Development	515,371	44,637	(515,371)	(44,637)
Other		128,016		(128,016)
Debt Service:				
Principal Retirement	268,871	859,039	(268,871)	(859,039)
Interest and Fiscal Charges	54,226	87,016	(54,226)	(87,016)
Total Cash Disbursements-Governmental	24,115,948	24,021,763	(8,843,457)	(10,905,510)
Business-Type Activities				
Proprietary Funds	\$4,156,110	\$3,970,044	(\$ 12,307)	\$ 148,913

Ninety nine percent of business-type activities are supported by program cash receipts. During 2006, program cash receipts did not exceed program cash disbursements, which resulted in the above decrease of \$12,307.

The County's Funds

Information about the County's major funds starts on page 11. These funds are accounted for using the cash basis of accounting. All governmental funds had total cash receipts and other financing sources of \$26,957,079 and cash disbursements and other financing uses of \$25,167,420. The net change in fund balance for the year was most significant to the MRDD Fund where the cash balance went from \$982,614 in 2005 to \$1,770,855 for 2006. The increase in cash balance for the MRDD Fund can be attributed to an increase in Intergovernmental Revenue in 2006, which included an increase in federal funds received related to the Medical Assistance Program of \$287,390. The increased Medical Assistance Program funding was due to a CAFS settlement payment received by the MRDD during 2006 which was not received in previous years.

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 actual receipts and other financing sources were \$7,164,642, above final budget of \$6,098,000. Of this \$1,066,642 difference, sales tax receipts were \$486,234 above original estimates, investment income was \$276,984 above original estimates and various other receipt categories made up the remaining \$303,424.

Total actual disbursements and other financing uses on the budget basis (cash outlays plus encumbrances) were \$6,874,499, which is \$1,423,693 less than cash receipts plus beginning budgetary fund balance.

**FINANCIAL CONDITION
HARDIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006
UNAUDITED
(Continued)**

Capital Assets and Debt Administration

Capital Assets

The County does not record capital assets in the accompanying basic financial statements, but records payments for capital assets as capital outlay disbursements. The County's largest capital outlay was in the health program that had capital outlay disbursements of \$1,989,962 for equipment and hospital construction costs during calendar year 2006. The capital outlay represent tax levy money placed on the ballot by the County Commissioners on behalf of the Hardin Memorial Hospital and does not represent a County owned asset.

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, 2006 the County had \$1,499,112 in bonds and related long-term debt for Governmental Activities. Table 4 summarizes bonds and long-term notes outstanding for Governmental Activities for the past two years:

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

	<u>2006</u>	<u>2005</u>
General Obligation/Special		
Assessment Bonds	\$1,016,798	\$1,223,498
OWDA Landfill Closure	454,425	500,550
OPWC Loans	27,889	39,136
Totals	<u>\$1,499,112</u>	<u>\$1,763,184</u>

Current Financial Related Activities

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

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

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF NET ASSETS - CASH BASIS
DECEMBER 31, 2006**

	Primary Government			Component Unit Totals
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Equity in Pooled Cash and Cash Equivalents	\$9,167,239	\$915,238	\$10,082,477	
Cash and Cash Equivalents in Segregated Accounts	27,205		27,205	\$153,451
Cash With Fiscal Agent	53,210		53,210	
Total Assets	9,247,654	915,238	10,162,892	153,451
Net Assets:				
Restricted For:				
Debt Service	24,013		24,013	
Capital Projects	735,500		735,500	
Health Services	991,735		991,735	
Other Purposes	3,184,271		3,184,271	
Unrestricted	4,312,135	915,238	5,227,373	153,451
Total Net Assets	\$9,247,654	\$915,238	\$10,162,892	\$153,451

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF ACTIVITIES - CASH BASIS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Program Cash Receipts</u>			
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities				
General Government				
Legislative and Executive	\$3,008,314	\$1,192,168	\$35,814	
Judicial	1,736,661	432,412	424,313	
Public Safety	2,304,822	192,535	235,503	
Public Works	6,403,474	1,513,591	3,925,356	\$505,665
Health	2,082,081	368,883	102,244	247,247
Human Services	7,278,758	811,134	4,810,712	
Conservation and Recreation	463,370			474,914
Economic Development	515,371			
Debt Service:				
Principal Retirement	268,871			
Interest and Fiscal Charges	54,226			
Total Governmental Activities	<u>24,115,948</u>	<u>4,510,723</u>	<u>9,533,942</u>	<u>1,227,826</u>
Business Type Activities				
Hardin Hills	3,601,622	3,562,624		
Waste Transfer Station	516,521	520,880	5,500	
Sewers	37,967	54,799		
Total Business Type Activities	<u>4,156,110</u>	<u>4,138,303</u>	<u>5,500</u>	
Total Primary Government	<u>\$28,272,058</u>	<u>\$8,649,026</u>	<u>\$9,539,442</u>	<u>\$1,227,826</u>
Component Units:				
Airport	143,737	105,364	59,565	
Harco Industries	106,987	106,222		
Hardin Housing	102,343	37,696		56,894
Total Component Units	<u>\$353,067</u>	<u>\$249,282</u>	<u>\$59,565</u>	<u>\$56,894</u>

General Cash Receipts and Transfers

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

Total General Receipts

Transfers

Total General Cash Receipts and Transfers

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
(\$1,780,332)		(\$1,780,332)	
(879,936)		(879,936)	
(1,876,784)		(1,876,784)	
(458,862)		(458,862)	
(1,363,707)		(1,363,707)	
(1,656,912)		(1,656,912)	
11,544		11,544	
(515,371)		(515,371)	
(268,871)		(268,871)	
(54,226)		(54,226)	
<u>(8,843,457)</u>		<u>(8,843,457)</u>	
	(\$38,998)	(38,998)	
	9,859	9,859	
	<u>16,832</u>	<u>16,832</u>	
	<u>(12,307)</u>	<u>(12,307)</u>	
<u>(\$8,843,457)</u>	<u>(12,307)</u>	<u>(8,855,764)</u>	
			\$21,192
			(765)
			<u>(7,753)</u>
			<u>12,674</u>
1,153,735		1,153,735	
246,760		246,760	
1,680,443		1,680,443	
1,994,040		1,994,040	
3,286,234		3,286,234	
9,300		9,300	
954,730		954,730	
637,269		637,269	3,617
21,788	8,362	30,150	
214,718		214,718	
<u>459,099</u>	<u>53,097</u>	<u>512,196</u>	<u>12,494</u>
10,658,116	61,459	10,719,575	16,111
<u>(25,000)</u>	<u>25,000</u>		
<u>10,633,116</u>	<u>86,459</u>	<u>10,719,575</u>	<u>16,111</u>
1,789,659	74,152	1,863,811	28,785
<u>7,457,995</u>	<u>841,086</u>	<u>8,299,081</u>	<u>124,666</u>
<u>\$9,247,654</u>	<u>\$915,238</u>	<u>\$10,162,892</u>	<u>\$153,451</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH BASIS ASSETS AND FUND BALANCES
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General Fund	Pike Repair Fund	Job and Family Services Fund	MRDD Fund	Hospital Levy Fund	Other Governmental Funds	Total Governmental Funds
Cash Assets:							
Equity in Pooled Cash and Cash Equivalents	\$1,476,774	\$987,183	\$95,081	\$1,690,440	\$991,735	\$3,926,026	\$9,167,239
Cash and Cash Equivalents in Segregated Accounts				27,205			\$27,205
Cash With Fiscal Agent				53,210			53,210
Total Cash Assets	<u>1,476,774</u>	<u>987,183</u>	<u>95,081</u>	<u>1,770,855</u>	<u>991,735</u>	<u>3,926,026</u>	<u>9,247,654</u>
Cash Fund Balances:							
Reserved for Encumbrances	53,081	87,240	88,432	15,283	795,952	374,284	1,414,272
Unreserved, (Deficit) Reported in:							
General Fund	1,423,693						1,423,693
Special Revenue Funds		899,943	6,649	1,755,572	195,783	2,795,931	5,653,878
Debt Service Funds						32,344	32,344
Capital Projects Funds						723,467	723,467
Total Cash Fund Balances	<u>\$1,476,774</u>	<u>\$987,183</u>	<u>\$95,081</u>	<u>\$1,770,855</u>	<u>\$991,735</u>	<u>\$3,926,026</u>	<u>\$9,247,654</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BASIS FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Pike Repair Fund	Job and Family Services Fund	MRDD Fund	Hospital Levy Fund	Other Governmental Funds	Total Governmental Funds
Cash Receipts:							
Taxes	\$1,153,735			\$1,994,040	\$1,680,443	\$246,760	\$5,074,978
Intergovernmental Receipts	966,538	\$3,925,356	\$2,556,798	1,420,600	247,247	2,848,064	11,964,603
Investment Income	576,984	24,657				35,628	637,269
Licenses and Permits	2,000					103,522	105,522
Fines & Forfeitures	26,238	39,110				123,807	189,155
Special Assessments						925,943	925,943
Charges for Services	1,005,881	702,441	237,213	205,911		1,090,786	3,242,232
Sales Taxes	3,286,234						3,286,234
Rent						214,718	214,718
Miscellaneous	24,032	33,533		33,281		155,887	246,733
Total Cash Receipts	<u>7,041,642</u>	<u>4,725,097</u>	<u>2,794,011</u>	<u>3,653,832</u>	<u>1,927,690</u>	<u>5,745,115</u>	<u>25,887,387</u>
Cash Disbursements:							
General Government							
Legislative and Executive	2,684,652					323,662	3,008,314
Judicial	1,099,869					636,792	1,736,661
Public Safety	1,970,903					333,919	2,304,822
Public Works	20,308	4,155,362				2,215,672	6,391,342
Health					1,989,962	92,119	2,082,081
Human Services	169,461		2,721,611	2,865,591		1,522,095	7,278,758
Conservation and Recreation	243,433					219,937	463,370
Economic Development and Assistance						515,371	515,371
Debt Service:							
Principal Retirement						268,871	268,871
Interest & Fiscal Charges						54,226	54,226
Total Cash Disbursements	<u>6,188,626</u>	<u>4,155,362</u>	<u>2,721,611</u>	<u>2,865,591</u>	<u>1,989,962</u>	<u>6,182,664</u>	<u>24,103,816</u>
Cash Receipts Over/(Under) Cash Disbursements	853,016	569,735	72,400	788,241	(62,272)	(437,549)	1,783,571
Other Financing Sources (Uses)							
Special Assessment Bonds Issued						9,300	9,300
Sale of Capital Assets		21,788					21,788
Advances In	109,000		100,000			184,500	393,500
Advances Out	(230,000)		(100,000)			(63,500)	(393,500)
Operating Transfers In	14,000					631,104	645,104
Operating Transfers Out	(402,792)	(136,246)				(131,066)	(670,104)
Total Other Financing Sources/(Uses)	<u>(509,792)</u>	<u>(114,458)</u>				<u>630,338</u>	<u>6,088</u>
Excess of Cash Receipts and Other Financing Sources Over/(Under) Cash Disbursements and Other Financing Uses	343,224	455,277	72,400	788,241	(62,272)	192,789	1,789,659
Cash Fund Balances - Beginning of Year	<u>1,133,550</u>	<u>531,906</u>	<u>22,681</u>	<u>982,614</u>	<u>1,054,007</u>	<u>3,733,237</u>	<u>7,457,995</u>
Cash Fund Balances - End of Year	<u>\$1,476,774</u>	<u>\$987,183</u>	<u>\$95,081</u>	<u>\$1,770,855</u>	<u>\$991,735</u>	<u>\$3,926,026</u>	<u>\$9,247,654</u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FUND NET ASSETS - CASH BASIS
PROPRIETARY FUNDS
DECEMBER 31, 2006**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Cash Assets:			
Equity in Pooled Cash and Cash Equivalents	\$817,498	\$97,740	\$915,238
Total Cash Assets	817,498	97,740	915,238
Net Assets:			
Unrestricted	\$817,498	\$97,740	\$915,238

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN
FUND NET ASSETS-CASH BASIS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Business-Type Activities		
	Hardin Hills	Other Enterprise Funds	Total Enterprise Funds
Operating Cash Receipts:			
Charges for Services	\$3,562,624	\$527,384	\$4,090,008
Other Operating Receipts	53,097		53,097
Total Operating Cash Receipts	<u>3,615,721</u>	<u>527,384</u>	<u>4,143,105</u>
Operating Cash Disbursements:			
Personal Services	1,994,625	123,238	2,117,863
Fringe Benefits	700,285	51,089	751,374
Contractual Services	142,576	122,105	264,681
Materials and Supplies	373,417	76,060	449,477
Other Operating Expenses	368,966	176,983	545,949
Capital Outlay	21,753	130	21,883
Debt Service Principal		4,500	4,500
Total Operating Cash Disbursements	<u>3,601,622</u>	<u>554,105</u>	<u>4,155,727</u>
Operating Income(Loss)	14,099	(26,721)	(12,622)
Non-Operating Cash Receipts/(Disbursements):			
Proceeds from the sale of Capital Assets	8,362		8,362
Special Assessments		48,295	48,295
Operating Grants		5,500	5,500
Interest Expense & Fiscal Charges		(383)	(383)
Total Non-Operating Cash Revenues/(Disbursements)	<u>8,362</u>	<u>53,412</u>	<u>61,774</u>
Cash Receipts Over Cash Disbursements	22,461	26,691	49,152
Transfers-In		25,000	25,000
Changes in Net Assets	22,461	51,691	74,152
Net Assets - Beginning of Year	<u>795,037</u>	<u>46,049</u>	<u>841,086</u>
Net Assets - End of Year	<u><u>\$817,498</u></u>	<u><u>\$97,740</u></u>	<u><u>\$915,238</u></u>

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF FIDUCIARY NET ASSETS - CASH BASIS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	Private Purpose Trust	Agency
Cash Assets:		
Equity in Pooled Cash and Cash Equivalents	294,915	2,428,213
Cash and Cash Equivalents in Segregated Accounts		176,790
Total Cash Assets	\$294,915	\$2,605,003
Net Assets:		
Unrestricted	108,634	2,605,003
Restricted	186,281	
Total Net Assets	\$294,915	\$2,605,003

See Accompanying Notes to the Basic Financial Statements.

**FINANCIAL CONDITION
HARDIN COUNTY**

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CASH BASIS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Private Purpose Trusts</u>
Cash Additions:	
Contributions	\$18,911
Investment Income	9,226
Total Cash Additions	<u>28,137</u>
Cash Deductions:	
Payments in Accordance with Trust Agreements	22,310
Total Cash Deductions	<u>22,310</u>
Changes in Net Assets	5,827
Net Assets - Beginning of Year	<u>289,088</u>
Net Assets - End of Year	<u><u>\$294,915</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, 2006**

1. DESCRIPTION OF THE REPORTING ENTITY

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

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

A. Component Units

HARCO Industries, Inc.

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

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

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

HARCO Industries, Inc. has a fiscal year end of June 30, 2006; however, the annualized amounts would not be significantly different from calendar year amounts.

Hardin County Housing Development, Inc.

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

Hardin County Airport Authority

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

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

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. Financial information can be obtained from Saul Bauer, Executive Director, 315 East Court, Sidney, Ohio 45365

Hardin County Regional Planning Commission:

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

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

Workforce Investment Act

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

Hardin County Family and Children First Council

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

Logan County Juvenile Detention Center

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

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

C. Joint Ventures:

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

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

In 2006, tax revenues generated by the levy in Hardin County totaled \$187,599. 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 is a board composed of the following representatives: the President of the Board of County Commissioners, the Sheriff, and the Presiding Judge of the Court of Common Pleas from each member county. The Commission shall have an executive committee, construction committee, and operations committee who shall be responsible for the planning, construction, and day to day operating activities of the facility.

The Marion Hardin County Jail Commission is a joint venture between Marion and Hardin Counties. The Commission has no outstanding debt as of December 31, 2006. 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 CORSAs Insurance/Self-Insurance Program.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

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

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

County Commissioner Association of Ohio Workers' Compensation Group Rating Plan

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

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

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

County Employee Benefit Consortium of Ohio, Inc.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. DESCRIPTION OF THE REPORTING ENTITY (Continued)

E. Related Organizations

Mary Lou Johnson Hardin County Public Library

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

Hardin County Veterans Memorial Park District

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

F. Potential Component Units

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

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

Kenton - Hardin General Health District

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

Soil and Water Conservation District

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

Other Districts

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Accounting

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

B. Basis of Presentation

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

1. Government-wide Financial Statements

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Financial Statements

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

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

3. Fund Accounting

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

4. Governmental Funds

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

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

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

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

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

Hospital Levy Fund – This fund accounts for property taxes received from an outside millage levy passed by the voters for renovations for the hospital.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

5. Proprietary Funds

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

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

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

6. Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other 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.

7. Component Units

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

C. Cash, Cash Equivalents, and Investments

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

During 2006, investments were limited to Federal National Mortgage Association 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 2006. 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, 2006.

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 2006 amounted to \$576,984, which includes \$508,325 assigned from other County funds. For calendar year 2006, total interest receipts amounted to \$637,269 in which \$576,984 was recorded in the General Fund; \$24,657 was recorded in the Pike Repair Fund; and \$35,628 was recorded in the Other Remaining 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.

D. Capital Assets and Depreciation

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

E. Compensated Absences

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

F. Employer Contributions to Cost-Sharing Pension Plans

The County recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes and 8 and 9, the employer contributions include portions for pension benefits and for postretirement health care benefits.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$2,107,700 of federal food stamps during 2006.

I. Long-Term Obligations

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

K. Inter-fund Transactions

In the government-wide financial statements transfers within governmental activities or within business-type activities are eliminated. Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general receipts. The County reports advances-in and advances-out for inter-fund loans.

Exchange transactions between funds are reported as cash receipts in the seller fund and cash disbursements in the purchaser funds. Flows of cash from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financial sources/uses in governmental funds and after non-operating cash receipts/disbursements in the proprietary funds. Repayments from funds responsible for particular cash disbursements to the funds that initially paid for them are not presented on the financial statements.

L. Fund Balance Reserves

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS

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

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

Monies held by the County which are not considered active are classified as inactive. Beginning June 15, 2004, inactive monies could be deposited or invested with certain limitations in the following securities provided the County has filed a written investment policy with the Ohio Auditor of State:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States, or any book entry, zero coupon United States treasury security that is a direct obligation of the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or its political subdivisions;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds;
7. The State Treasurer's investment pool (STAR Ohio);
8. Securities lending agreements in which the County lends securities and the eligible institution agrees to simultaneously exchange either securities or cash, equal value for equal value;
9. Commercial paper notes, corporate notes and bankers' acceptances; and
10. Debt interests rated at the time of purchase in the three highest categories by two nationally recognized standard rating services and issued by foreign nations diplomatically recognized by the United States government. All interest and principal shall be denominated and payable in United States funds.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

At year end, the County had \$2,500 in un-deposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

A. Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, \$10,554,274 of the County's bank balance of \$11,050,095 was exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the County's name.

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

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

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

B. Investments

As of December 31, 2006, the County had the following investments:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less than 1</u>	<u>1-2</u>	<u>3-5</u>	<u>More than 5</u>
Federal Home Loan Mortgage Corporation Notes	\$500,000	\$0	\$500,000	\$0	\$0
Federal National Mortgage Association Notes	993,903		993,903		
STAR Ohio	469,394	469,394			
Total Investments	\$1,963,297	\$469,394	\$1,493,903	\$0	\$0

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

The security underlying the federal national mortgage association notes and federal home loan corporation notes carry a rating of AAA by Standard & Poor's and Aaa by Moody's. STAR Ohio carries a rating of AAAM by Standard and Poor's. The County has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal National Mortgage Association Notes and Federal Home Loan Mortgage Corporation Notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the County's name. The County has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.35(J)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

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 2006 for tax year 2006.

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2006, was \$14.85 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$14.85 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 \$13.22 per \$1,000 of assessed valuation for real property classified as residential/agricultural and \$13.94 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, 2006, was 12.5% of true value.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

4. PROPERTY TAXES (Continued)

The assessed value upon which the 2006 taxes were collected was \$440,333,661.

Real Property - 2006 Valuation:

Residential	\$249,925,190
Agriculture	73,250,090
Commercial	37,097,980
Industrial	17,027,890
Public Utilities	537,910

Tangible Personal Property – 2006 Valuation:

General	38,448,521
Public Utilities	24,046,080
Total Valuation	<u>\$440,333,661</u>

Real property taxes for tax year 2005 are payable annually or semi-annually. If paid annually, payment was due February 16, 2006. If paid semi-annually, the first payment was due February 16, 2006 with the remainder payable by July 20, 2006. 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 and one half percent tax on retail sales made in the County effective January 1, 2005. Vendor collections of the tax are paid to the State Treasury by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's Certification must be made within forty-five days after the end of the month. The State Auditor then has five days in which to draw the warrant payable to the County. Sales and use tax revenue for 2006 amounted to \$3,286,234 and is recorded in the General Fund.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

6. SHORT TERM DEBT

The County has no short-term debt as of December 31, 2006.

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, 2006, are summarized below:

	Debt Principal Outstanding 1/1/06	Debt Principal Issued in 2006	Debt Principal Retired in 2006	Debt Principal Outstanding 12/31/06
General Obligation Bonds	\$ 994,998		\$160,000	\$ 834,998
Special Assessment Bonds				
With Government Commitment	228,500	\$9,300	56,000	181,800
OWDA Landfill Closure Loan	500,550		46,125	454,425
OPWC Loans	39,136		11,246	27,889
Total	\$1,763,184	\$9,300	\$273,372	\$1,499,112

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.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

7. LONG TERM DEBT (Continued)

The following are descriptions of the bonds and loans that existed in 2006 and were outstanding as of December 31, 2006:

Description	Issue Date	Issue Rate %	Issuance Amount	2006 Paid Amount	Outstanding Amount	Maturity Date
General Obligation Bonds:						
County Courthouse Annex Bond	Oct 2002	Various	\$1,454,998	\$160,000	\$ 834,998	Dec 2012
Special Assessment Bonds:						
Kasler Ditch	2002	5.00%	64,000	12,000	12,000	2007
Robinson Ditch	2002	5.00%	5,500	1,000	1,000	2007
Dawson Ditch	2001	4.45%	5,300	1,000		2006
Beaver Pond Ditch	2001	4.86%	11,000	2,000		2006
Frisch Ditch	2001	4.45%	7,600	1,500		2006
Roots Subdivision	2004	4.25%	13,000	4,500	4,500	2007
Lowery Ditch	2006	6.75%	5,300		5,300	2011
Powell Ditch	2006	6.50%	4,000		4,000	2011
Pattison Ave. Ditch	2003	3.94%	260,000	34,000	155,000	2011
Total Special Assessment Bonds				<u>56,000</u>	<u>181,800</u>	
Total Bond Debt				<u>216,000</u>	<u>1,016,798</u>	
Loans						
OWDA Loan	July 97	4.56%	891,616	46,125	454,423	2014
OPWC Loan	Jan 04	0.00%	19,498	3,900	5,849	2008
OPWC Loan	July 99	0.00%	73,468	7,347	22,040	2010
Total Loans				<u>57,372</u>	<u>482,314</u>	
Total Bonds and Loans				<u>\$273,372</u>	<u>\$1,499,112</u>	

B. The annual requirements to amortize all long-term bonded debt and loans outstanding as of December 31, 2006, including interest payments of \$344,861 are as follows:

	General Obligation Bonds - Governmental Purposes	Special Assessment Bonds with Government Commitment	OWDA Landfill Closure Loan	OPWC Bridge Loans	Total
2007	\$ 184,445	\$ 59,153	\$ 68,431	\$11,247	\$ 323,276
2008	180,320	37,839	68,430	9,295	295,884
2009	180,700	36,516	68,430	7,347	292,993
2010	180,600	35,195	68,430		284,225
2011	185,000	33,872	68,430		287,302
2012-2014	155,000		205,293		360,293
Total	1,066,065	202,575	547,444	27,889	1,843,973
Less Interest	(231,067)	(20,775)	(93,019)		(344,861)
Principal	<u>\$834,998</u>	<u>\$181,800</u>	<u>\$454,425</u>	<u>\$27,889</u>	<u>\$1,499,112</u>

The component unit, Hardin County Housing Development, Inc, had outstanding mortgage debt at December 31, 2006 in the amount of \$97,212.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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, 2006 are an overall debt margin of \$8,223,374 and an unvoted debt margin of \$4,403,337.

8. PENSION OBLIGATIONS

A. Ohio Public Employees Retirement System (OPERS)

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

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

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

The Ohio Revised Code provides statutory authority for member and employer contributions. For 2006, 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 2006 member contribution rates were 9.0% 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 2006 employer contribution rate for local government employer units was 13.70% of covered payroll. For the law enforcement division, the employer contribution rate for 2006 was 16.93%.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

8. PENSION OBLIGATIONS (Continued)

The County's contributions to OPERS for all employees for the years ended December 31, 2006, 2005, and 2004, were \$1,408,894, \$1,301,304 and \$1,274,181, respectively; 100 percent has been contributed for 2006, 2005, and 2004. The amount to fund pension obligations in 2006 was \$946,871.

B. State Teachers Retirement System (STRS)

Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS), 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 stand-alone financial report. Copies of STRS Ohio's 2006 *Comprehensive Annual Financial Report* will be available after Jan. 19, 2007.

The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling toll-free 1-888-227-7877, or by visiting the STRS Ohio web site at www.strsoh.org.

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

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

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

8. PENSION OBLIGATIONS (Continued)

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.

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 2006, 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, 2006, 2005, and 2004, were \$42,495, \$41,823 and \$42,554, respectively; 100 percent has been contributed for 2006, 2005, and 2004.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

8. PENSION OBLIGATIONS (Continued)

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by a State Retirement System have an option to choose Social Security or the appropriate state system. As of December 31, 2006, none have elected Social Security.

9. POST-EMPLOYMENT BENEFITS

A. 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 2006 was 13.70 percent of covered payroll for employees not engaged in law enforcement; 4.5 percent was the portion that was used to fund health care. The employer contribution rate for law enforcement employees for 2005 was 16.93 percent; 4.5 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, 2005, include a rate of return on investments of 6.5 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 .5% to 6% for the next 9 years. In subsequent years (10 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, not to exceed a 12% corridor.

The number of active contributing participants in the Traditional and Combined Plans was 369,214. The County's contributions for 2006 that were used to fund post-employment benefits were \$451,810. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for OPEBs at December 31, 2005, (the latest information available) were \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

9. POST-EMPLOYMENT BENEFITS (Continued)

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.

B. State Teachers Retirement System

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

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

The Retirement Board allocates employer contributions to the Health Care Stabilization Fund from which health care benefits are paid. For the year ended December 31, 2006, the Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. For the County, this amount equaled \$3,035 for 2006. The balance in the Health Care Stabilization Fund on June 30, 2006, was \$3.5 billion.

For the fiscal year ended June 30, 2006, net health care costs paid by STRS Ohio were \$282,743,000 and there were 119,184 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. Payments made during 2006 and balances outstanding at December 31, 2006 were as follows:

Business:	Rate	Maturity Year	Principal Paid 2006	Principal Outstanding 12/31/06
Innoplas, Inc.	5.00%	2007	\$12,517	\$ 19,986
Innoplas, Inc.	4.75%	2013	22,529	175,606
Innoplas, Inc.	4.00%	2009	4,783	14,738
Laugh and Learn Day Care	5.00%	2022	3,693	82,011
Total Paid and Outstanding			<u>\$43,522</u>	<u>\$292,341</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(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	2,000,000
Automobile Liability	1,000,000
Building and Contents (Include Comprehensive Boiler and Machinery)	54,661,425
Contractor's Equipment	Actual Cash Value
Sewer Lines	500,000
Other Coverages:	
Extra Expense	1,000,000
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
Property in Transit	100,000

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

Employees of the Mental Retardation and Developmental Disabilities (MRDD) Board are covered by the County Boards Association (CBA) Benefit Services.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

12. INDIVIDUAL COMPONENT UNIT DISCLOSURE

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

	Airport Authority	Harco Industries	Hardin Housing	Totals
Program Cash Receipts	\$164,929	\$106,222	\$94,590	\$365,741
General Cash Receipts	7,241	8,820	50	16,111
Program Cash Disbursements	143,737	106,987	102,343	353,067
Changes in Net Cash Assets	28,433	8,055	(7,703)	28,785
Net Cash Assets Beginning of Year	83,414	30,523	10,729	124,666
Net Cash Assets End of Year	<u>\$111,847</u>	<u>\$38,578</u>	<u>\$3,026</u>	<u>\$153,451</u>

As indicated in Note 14, the County provided non-cash benefits to HARCO Industries.

13. OTHER OBLIGATIONS

During 2000 and 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 \$346,036. The Department has repaid \$325,000 of the overpayments during the period from January 1, 2002 through December 31, 2006. The outstanding balance of \$21,036 will be repaid in full during the year 2007 as approved by the ODJFS.

14. RELATED PARTY TRANSACTIONS

During 2006, the County provided facilities, certain equipment, transportation and salaries for administration, implementation and supervision of its programs to HARCO Industries, Inc. (workshop). HARCO Industries, Inc, which is one of the discretely presented component units of Hardin County, reported the value of an In-Kind contribution that was determined in accordance with a formula developed by the Ohio Association of Adult Services. The In-Kind contribution from the Hardin County MR/DD Board amounted to \$1,296,943.

During 2006, Hardin Count 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 \$25,719 for such contributions. HCHD recorded operating revenues and expenses at cost or fair market as applicable, to the extent the contribution is related to the operation of the housing.

15. 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, 2006.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

15. CONTINGENT LIABILITIES (Continued)

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 \$2,246,675 will be incurred over the remaining 19.5 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.

16. SUBSEQUENT EVENT

The County received bids on November 20, 2007 for the remodeling of the Jacob Parrott Safety and Security Center. The project cost estimate was \$1,400,000.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$1,133,550	\$1,133,550	\$1,133,550	
Resources (Inflows):				
Taxes	1,086,000	1,086,000	1,153,735	\$67,735
Intergovernmental	880,000	880,000	966,538	86,538
Investment Income	250,000	300,000	576,984	276,984
Licenses and Permits	2,000	2,000	2,000	
Fines and Forfeitures	18,000	18,000	26,238	8,238
Charges for Services	906,400	906,400	1,005,881	99,481
Sales Taxes	2,800,000	2,800,000	3,286,234	486,234
Miscellaneous	65,600	65,600	24,032	(41,568)
Other Financing Sources:				
Transfers In	40,000	40,000	14,000	(26,000)
Advances In			109,000	109,000
	<u>7,181,550</u>	<u>7,231,550</u>	<u>8,298,192</u>	<u>1,066,642</u>
Amounts Available for Appropriation:	7,181,550	7,231,550	8,298,192	1,066,642
Charges to Appropriation (Outflows):				
General Government				
Legislative and Executive	2,862,780	3,386,334	2,716,259	670,075
Judicial	1,095,812	1,198,473	1,114,193	84,280
Public Safety	1,864,133	2,024,909	1,974,803	50,106
Public Works	21,177	21,177	20,308	869
Human Services	191,957	193,872	172,711	21,161
Conservation and Recreation	232,661	243,433	243,433	
Other Financial Uses:				
Transfers Out	130,000	530,000	402,792	127,208
Advances Out			230,000	(230,000)
	<u>6,398,520</u>	<u>7,598,198</u>	<u>6,874,499</u>	<u>723,699</u>
Total Charges to Appropriations:	6,398,520	7,598,198	6,874,499	723,699
Ending Budgetary Balance:	<u>\$783,030</u>	<u>(\$366,648)</u>	<u>\$1,423,693</u>	<u>\$1,790,341</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
PIKE REPAIR FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$531,906	\$531,906	\$531,906	
Resources (Inflows):				
Intergovernmental	4,122,000	4,122,000	3,925,356	(\$196,644)
Investment Income	15,000	15,000	24,657	9,657
Fines and Forfeitures	35,000	35,000	39,110	4,110
Charges for Services	400,000	400,000	702,441	302,441
Miscellaneous	90,000	90,000	33,533	(56,467)
Other Financing Sources:				
Sale of Capital Assets	50,000	50,000	21,788	(28,212)
	<u>5,243,906</u>	<u>5,243,906</u>	<u>5,278,791</u>	<u>34,885</u>
Amounts Available for Appropriation:	5,243,906	5,243,906	5,278,791	34,885
Charges to Appropriation (Outflows):				
Public Works	4,647,350	4,546,167	4,242,602	303,565
Other Financing Uses:				
Transfers Out	12,000	137,000	136,246	754
	<u>4,659,350</u>	<u>4,683,167</u>	<u>4,378,848</u>	<u>304,319</u>
Total Charges to Appropriations:	4,659,350	4,683,167	4,378,848	304,319
Ending Budgetary Balance:	<u>\$584,556</u>	<u>\$560,739</u>	<u>\$899,943</u>	<u>\$339,204</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
JOB AND FAMILY SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$22,681	\$22,681	\$22,681	
Resources (Inflows):				
Intergovernmental	2,854,731	2,854,731	2,556,798	(\$297,933)
Charges for Services			237,213	237,213
Miscellaneous	411,297	411,297		(411,297)
Other Financing Sources:				
Transfers In	150,000	150,000		(150,000)
Advances In		<u>100,000</u>	<u>100,000</u>	
Amounts Available for Appropriation:	3,438,709	3,538,709	2,916,692	(622,017)
Charges to Appropriation (Outflows):				
Human Services	3,126,341	3,236,568	2,810,043	426,525
Other Financing Uses:				
Advances Out			100,000	(100,000)
Transfers Out	<u>125,000</u>	<u>78,000</u>		<u>78,000</u>
Total Charges to Appropriations:	<u>3,251,341</u>	<u>3,314,568</u>	<u>2,910,043</u>	<u>404,525</u>
Ending Budgetary Balance:	<u>\$187,368</u>	<u>\$224,141</u>	<u>\$6,649</u>	<u>(\$217,492)</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
MRDD FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$982,614	\$982,614	\$982,614	
Resources (Inflows):				
Taxes	2,032,500	2,032,500	1,994,040	(38,460)
Intergovernmental	871,860	871,860	1,420,600	548,740
Charges for Services	6,508	206,920	205,911	(1,009)
Miscellaneous	162,361	162,361	33,281	(129,080)
Amounts Available for Appropriation:	4,055,843	4,256,255	4,636,446	380,191
Charges to Appropriation (Outflows):				
Human Services	<u>2,722,511</u>	<u>2,973,325</u>	<u>2,880,874</u>	<u>92,451</u>
Total Charges to Appropriations:	<u>2,722,511</u>	<u>2,973,325</u>	<u>2,880,874</u>	<u>92,451</u>
Ending Budgetary Balance:	<u>\$1,333,332</u>	<u>\$1,282,930</u>	<u>\$1,755,572</u>	<u>\$472,642</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**BUDGETARY COMPARISON SCHEDULE - CASH BASIS
HOSPITAL LEVY FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Beginning Budgetary Fund Balance:	\$1,054,007	\$1,054,007	\$1,054,007	
Resources (Inflows):				
Taxes	1,776,520	1,776,520	1,680,443	(96,077)
Intergovernmental	160,000	233,887	247,247	13,360
Amounts Available for Appropriation:	2,990,527	3,064,414	2,981,697	(82,717)
Charges to Appropriation (Outflows):				
Health	2,036,520	2,803,736	2,785,914	17,822
Total Charges to Appropriations:	2,036,520	2,803,736	2,785,914	17,822
Ending Budgetary Balance:	<u>\$954,007</u>	<u>\$260,678</u>	<u>\$195,783</u>	<u>(\$64,895)</u>

See Accompanying Notes to Required Supplementary Information.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006**

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

1. BUDGETARY PROCESS

A. Budget

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

B. Estimated Resources

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

C. Appropriations

1. Following submission of requests by various offices and departments, the Board of County Commissioners holds budget hearings during the fall with respective officeholders and department heads.
2. Shortly after the beginning of the fiscal year, the County Commissioners pass an Appropriation Resolution which legally authorizes the expenditure of funds for respective officeholders and department heads.
3. Appropriations are provided in the amounts of approved grants by the Board of County Commissioners.
4. The revised budget figures reflected in the combined financial statements include the prior year appropriations carried over for liquidations against prior year encumbrances, and any amendments to the original Appropriation Resolution.
5. The Commissioners appropriate at the major account level within a division and fund. The appropriation level accounts for the County include personal services, fringe benefits, county share of the Public Employees Retirement System, unemployment compensation, materials and supplies, services and charges, grants, capital outlays, debt service, interfund transfers, and other expenses. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the major account level or between appropriation level require a resolution signed by at least two Commissioners.
6. Supplemental appropriations are made when needed, subject to approval by at least two Commissioners. Supplemental appropriations were made during 2006 and were considered routine.

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006
(Continued)**

1. BUDGETARY PROCESS (Continued)

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

D. Encumbrances

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

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2006**

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>				
Food Donation	10.550			\$1,438
National School Lunch Program	10.555	LL-P4-03	\$1,541	
Total United States Department of Agriculture			1,541	1,438
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<i>(Passed through Ohio Department of Development)</i>				
Community Development Block Grant's / State's Program	14.228	B-F-04-30-1 B-F-05-30-1 B-C-04-30-1	69,521 118,107 205,204	
Total Community Development Block Grant's / State's Program			392,832	
HOME Investment Partnerships Program	14.239	B-C-04-030-2	104,094	
Total U.S. Department of Housing and Urban Development			496,926	
U.S. DEPARTMENT OF JUSTICE				
<i>(Direct Program)</i>				
Drug Court Discretionary Grant Program	16.585	2005-DC-BX-0055	103,462	
<i>(Passed through Ohio Department of Youth Services)</i>				
Juvenile Justice and Delinquency Prevention Allocation to States	16.540	2005-JJ-DA1-0106	48,603	
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2005-JG-C01-6272	31,735	
Total United States Department of Justice			183,800	
ELECTION ASSISTANCE COMMISSION				
<i>(Passed through Ohio Secretary of State)</i>				
Help America Vote Act	39.011	05-SOS-HAVA-33	2,939	
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-2006 6B-SF-2007	29,436 8,563	
Total Special Education Grants to States			37,999	
Special Education Preschool Grants	84.173	PG-S1-2006 PG-S1-2007	11,280 3,979	
Total Special Education Preschool Grants			15,259	
Total Special Education Cluster			53,258	
State Grants for Innovative Programs	84.298	C2-S1-2006 C2-S1-2007	215 12	
Total State Grants for Innovative Programs			227	
Total United States Department of Education			53,485	

(Continued)

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR YEAR ENDED DECEMBER 31, 2006
(Continued)**

Federal Grantor Pass Through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements	Non-Cash Disbursements
U.S. DEPARTMENT OF HUMAN SERVICES				
<i>(Passed through Ohio Department of Mental Retardation and Development Disabilities)</i>				
Social Services Block Grant	93.667		21,790	
State Children's Insurance Program	93.767	SCHIP	4	
Medical Assistance Program	93.778			
CAFS			5,204	
CAFS Settlement			343,024	
TCM			38,873	
TCM Settlement			(13,746)	
Waiver Administration			161,686	
Total Medical Assistance Programs			<u>535,041</u>	
<i>(Passed through Ohio Department Job and Family Services)</i>				
Child Welfare Services State Grants	93.645		33,757	
			(9,836)	
			<u>106,150</u>	
Total Child Welfare Services State Grants			130,071	
Promoting Safe and Stable Families	93.556		24,531	
			<u>20,003</u>	
Total Promoting Safe and Stable Families			44,534	
Chafee Foster Care Independence Program	93.674		<u>2,984</u>	
Total United States Department of Human Services			734,424	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
<i>(Passed through Ohio Department of Youth Services)</i>				
AmeriCorps	94.006	JJWC-023-06	1,781	
Total Corporation for National and Community Service			<u>1,781</u>	
U.S. DEPARTMENT OF HOMELAND SECURITY				
<i>(Passed through Ohio Department of Public Safety Emergency Management Agency)</i>				
Disaster Grants Public Assistance	97.036	DMJ-002	12,195	
Hazard Mitigation Grant	97.039	FEMA-DR-1484.06	3,750	
Emergency Management Performance Grants	97.042	2006-EME-60042	19,376	
State Homeland Security Program	97.073	2005-GE-T5-001	<u>13,289</u>	
Total U.S. Department of Homeland Security			<u>48,610</u>	
TOTAL FEDERAL AWARDS EXPENDITURES			<u>\$1,523,506</u>	<u>\$1,438</u>

**FINANCIAL CONDITION
HARDIN COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2006**

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. 2006 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, 2006	\$335,862	\$205,206
Loan Principal Repayments / Cash Receipts	(43,521)	74,383
Loan and Grant Disbursements / Disbursements	0	(11,248)
Ending Balances December 31, 2006	292,341	268,341

NOTE 3 - FOOD SERVICES PROGRAMS - SIMON KENTON SCHOOL

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

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

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

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Mary Taylor, CPA

Auditor of State

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

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

To the Board of County Commissioners:

We have audited 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, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated November 21, 2007, wherein, we noted the County uses a comprehensive accounting basis other than generally accepted accounting principles. We did not audit the financial statements of the component units, HARCO Industries, Inc., which represents 25 percent and 30 percent respectively, and Hardin County Housing Development, Inc., which represents 2 percent and 25 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 as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the County's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the County's internal control over financial reporting.

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

Internal Control Over Financial Reporting (Continued)

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

We consider the following deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting: 2006-001 and 2006-002.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also material weaknesses. We believe none of the significant deficiencies described above are material weaknesses.

We also noted certain matters that we reported to the County's management in a separate letter dated November 21, 2007.

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 2006-002 and 2006-003.

We also noted certain noncompliance or other matters not requiring inclusion in this report that we reported to the County's management in a separate letter dated November 21, 2007.

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

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



Mary Taylor, CPA
Auditor of State

November 21, 2007



Mary Taylor, CPA

Auditor of State

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
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, 2006. The summary of auditor's results section of the accompanying schedule of findings identifies the County's major federal programs. The County's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Hardin County Airport Authority, which received \$39,985 in federal awards which is not included in the Schedule of Federal Awards for the year ended 2006. Our audit of Federal awards, described below, did not include the operations of the Hardin County Airport Authority because the component unit is legally separate from the primary government which this report addresses, and because it expended less than \$500,000 of Federal awards for the year ended December 31, 2006, it was not subject to OMB Circular A-133 audit requirements.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended December 31, 2006. In a separate letter to the County's management dated November 21, 2007, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

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

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

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

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

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



Mary Taylor, CPA
Auditor of State

November 21, 2007

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 & .505
DECEMBER 31, 2006**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control 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 weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under ' .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant/State's Program CFDA # 14.228 Medical Assistance Program CFDA # 93.778
(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 2006-001

Significant Deficiency

Property Tax Collection Procedures

To help reduce the risk of fraud; errors; and/or irregularities; a county should have controls in place to help prevent errors and/or irregularities in the recording of property tax revenues. Periodically the management of a county should review the systems and processes in place to identify new risks and overrides to the internal control system of the property tax cycle. The following weaknesses were identified in the processing of property tax receipts:

- The County's tax system provided the user the ability to post adjustments and remitters to a tax account. There was not a report generated to track these changes.

The ability to make changes to a tax account without a record of the change increased the risk that an erroneous or unauthorized change may be made and not detected in the normal course of business.

The County should contact its property tax software vendor to determine if an adjustment report can be periodically generated or if there is an existing report that provides similar data. The adjustment report should be reviewed and approved by the Treasurer and such approval should be evidenced in some manner such as a signature or initials.

- The County's property tax system maintained a running year-to-date total. Reconciliations between the daily printouts and the year-to-date total were not consistently performed or were sometimes performed by the same individual who recorded the property tax receipts.

The lack of a daily reconciliation and allowing the reconciliation to be performed by the same person that recorded the property tax transactions increased the risk of errors and/or irregularities that may go undetected during the normal course of business.

The Treasurer's Office should have someone who is independent of recording property tax transactions perform the recalculation/reconciliation of the year-to-date amount. This procedure should be performed daily.

- The Treasurer's Office generated daily receipt edit reports for each type of property tax collected. The printouts were to be compared to the footings of subsidiary tax records to assure that all the property tax receipts collected were inputted for processing. Either evidence was not provided or the records were missing to support the performance of this review for the 40 days tested.

The failure to provide evidence of a performed procedure and/or to retain the records increases the risk that all of the receipts were not recorded to the property tax system and/or that unauthorized transactions were recorded and such occurrences may not be detected in the normal course of business.

The Treasurer's office should develop procedures to provide that the required daily receipt edit for a given day have been generated and retained. In addition, the Treasurer's office should always provide evidence of the comparison of the receipt edit reports for a given day to the subsidiary records for the same date.

**FINDING NUMBER 2006-001
(Continued)**

- The Treasurer and each employee in the Treasurer's office had the ability to collect property taxes and then record the property taxes in the tax system.

The lack of a segregation of duties between the collecting and recording of property tax receipts increases the risk of errors and/or irregularities that may not be detected in the normal course of business.

The Treasurer should designate the responsibility of collecting a certain type of tax receipt and the responsibility of recording same type of tax receipts to the tax system to two different individuals. If this is not practical, additional monitoring procedures should be developed by the Treasurer to help detect errors and/or irregularities.

- There was no evidence to support that the Auditor or Treasurer's Office performed a review of the property tax billing register to independent property tax calculation records.

The failure to perform a comparison of the property tax billing register to independent tax calculation records increased the risk that an eligible tax account was not being billed or billed correctly; or that an ineligible tax account is billed.

To help assure that every eligible tax parcel is billed, the County should generate a property tax billing register either in printed or electronic format. This billing register should be compared to independent tax calculation records to help assure completeness of the tax billings. Evidence of the performance of these procedures should be maintained by the County.

- Prior to the distribution of real estate taxes a reconciliation was performed between the property tax records of the Treasurer and Auditor's Office. This reconciliation was performed by a designated employee of the County Auditor's Office and the County's contracted computer programmer. Typical reconciling items included property tax refunds, adders, and remitters. Any remaining differences were discussed with the designated employee in the Treasurer's Office. There was no documented evidence that these remaining differences were reviewed and approved by either the Auditor or Treasurer.

The lack of documented evidence showing the review and approval of identified differences in the real estate distribution process increased the risk of errors and/or irregularities, some of which could be significant, going undetected.

When differences are detected during reconciling real estate tax collections at the end of the collection period, these differences should be documented and presented to the Auditor and Treasurer for review and approval. Evidence should be maintained to show that the differences were investigated and resolved to the satisfaction of the Auditor and Treasurer.

- The County real estate tax system was not completely automated. The County system required each part of the two part tax bill to be manually stamped paid. The receipt paid with each stub was then manually entered into the system at a later time. At the end of each day, there was a manual count of receipts which were then entered into a daily worksheet prepared by the Treasurer.

This manual process increased the risk of errors and/or irregularities since it is possible to manipulate or hold receipts without an automated system that automatically updates the initial receipt throughout the system.

The County should consider installing an automated system which will eliminate or reduce the amount of manual activity that is necessary to record tax receipts.

**FINDING NUMBER 2006-001
(Continued)**

OFFICIALS' RESPONSE

When a Parcel requires changes in the tax amount (adjustments-remitters) there is a report run and it is placed in the book right along with the daily edit. I realize the former employee did not always do this and any edits missing happened while she was here.

I only have 2 employees and they each have their duties as far as posting and waiting on the counter. They are cross trained for each others job. It is impossible to have one collect and the other post the payments. I feel that my checking the edit and the running total that the Auditor and I balance to will insure that all receipts have been posted and I initial each one.

I have put in a new cash system that will generate a receipt for every item coming across the counter plus the mail. In time the posting will take place at the time of the receipt.

FINDING NUMBER 2006-002

Significant Deficiency/Noncompliance Citation

Ohio Rev. Code Section 149.351(A) indicates that all records are the property of the public office concerned and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commission provided for under Sections 149.38 to 149.42, of the Revised Code.

The Real Estate Terminal Receipt Edit report was not maintained by the Treasurer's Office for ten percent (4 out of 40) of the days tested. This report presented the amount of real estate taxes collected for the day. Although the County could rely on the year to date and reconciling procedures to help assure collected receipts were recorded over a period of time longer than one day, the failure to maintain daily reports increased the risk that receipts could be manipulated on a short-term basis.

The Treasurer should develop a check list or implement other monitoring procedures to help assure that all reports utilized to determine the completeness of daily recorded transactions are generated and maintained by employees.

OFFICIALS' RESPONSE

We did not receive a response from Officials to this finding.

FINDING NUMBER 2006-003

Noncompliance Citation

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

**FINDING NUMBER 2006-003
(Continued)**

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

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

OFFICIALS' RESPONSE

Hardin County would like to respond to the audit finding number 2006-003 failure to file our annual financial report in accordance with generally accepted accounting principles (GAAP). The County has passed a resolution on March 11, 2006, volume 70, page 131 stating that all annual reports beginning fiscal 2002 and thereafter will be on a cash basis. This decision was based on the cost of preparation, conversion and audit expense. The County has estimated that it has saved nearly \$25,000 to \$35,000 annually.

3. FINDINGS FOR FEDERAL AWARDS

None

**FINANCIAL CONDITION
HARDIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2006**

Finding Number	Finding Summary	Fully Corrected ?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid: <i>Explain:</i>
2005-001	Ohio Rev. Code Section 117.38 and Ohio Admin. Code Section 117-2-03 (B) – the County did not prepare GAAP financial statements	No	Repeated as Finding 2006-003
2005-002	Ohio Rev. Code Section 149.351(A) - destruction of records in the Treasurer's Office	No	Repeated as Finding 2006-002
2005-003	ORC Section 5705.14 – the County made illegal transfers between an Agency Fund and a Permanent Improvement Fund	No	Repeated in the management letter
2005-004	Treasurer's Office Procedures	No	Repeated as finding 2006-001 (Some corrective action taken)
2005-005	Obtaining a SAS 70 Audit Report	No	Repeated in the Management Letter
2005-006	Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(I) – CDBG Interest earned in excess of \$100 must be returned to the OHCP	No	Partially Corrected by utilizing non-interest bearing account for 2006; repeated in management letter
2005-007	Office of Housing and Community Partnership (OHCP) Management Rules and Regulations Handbook, Section (A)(3)(I) – HOME Interest earned in excess of \$100 must be returned to the OHCP	No	Partially Corrected by utilizing non-interest bearing account for 2006; repeated in management letter



Mary Taylor, CPA
Auditor of State

FINANCIAL CONDITION

HARDIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 13, 2007**