

HENRY COUNTY

***GENERAL PURPOSE
FINANCIAL STATEMENTS
(Audited)***

***FOR THE YEAR ENDED
DECEMBER 31, 2000***

IDA BOSTLEMAN, AUDITOR



STATE OF OHIO
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We have reviewed the independent auditor's report of Henry County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2000 through December 31, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Henry County is responsible for compliance with these laws and regulations.

JIM PETRO
Auditor of State

July 13, 2001

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HENRY COUNTY

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Independent Auditor's Report

Board of Commissioners
Henry County Auditor
660 North Perry Street
Napoleon, OH 43545

We have audited the accompanying general purpose financial statements of Henry County, Ohio, (the "County"), as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Henry County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2001 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the County, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Trimble, Julian & Grube, Inc.
June 20, 2001

HENRY COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES, ACCOUNT GROUPS, AND DISCREETLY PRESENTED COMPONENT UNITS
 DECEMBER 31, 2000

	Governmental Fund Types			Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)		
	General	Special Revenue				Enterprise	Trust and Agency				General Fixed Assets	General Long-Term Obligations
		Debt Service	Capital Projects									
ASSETS AND OTHER DEBITS												
ASSETS:												
Equity in pooled cash and cash equivalents	\$1,763,432	\$4,207,018	\$78,1199	\$353,978	\$3,319,328			\$10,721,343	\$752,377	\$11,473,720		
Investments		223	290,000		189,856			290,000		290,000		
Cash in segregated accounts								190,079	20,313	210,392		
Receivables (net of allowances for uncollectibles):												
Taxes	1,985,140	1,016,407	611,497					3,613,044	1,919,881	5,532,925		
Accounts	26,784	35,901		1,293				63,978	43,133	107,111		
Accrued interest	115,027	5,228	12,851	6,108				139,214		139,214		
Loans		1,089,036						1,089,036		1,089,036		
Special assessments			229,210					785,082		785,082		
Advances to other funds	168,000							168,000		168,000		
Due from other funds	894			727				1,621		1,621		
Due from other governments	12,263	96,618						108,881	11,858	120,739		
Due from component units	400	298		66				698	9,529	63,312		
Prepayments	47,479	6,228						53,783		53,783		
Materials and supplies inventory	28,261	105,825						134,086	10,258	144,344		
Property, plant and equipment (net of accumulated depreciation where applicable)				587,944				24,533,578	3,044,402	27,577,980		
RESTRICTED ASSETS:												
Equity in pooled cash & cash equivalents				1,128,902			\$23,945,634	1,128,902		1,128,902		
OTHER DEBITS:												
Amount available in debt service fund for retirement of general obligation debt								945,775		945,775		
Amount available in debt service fund for retirement of special assessment debt								128,286		128,286		
Amount to be provided from special assessments								265,066		265,066		
Amount to be provided from general government resources								4,816,703		4,816,703		
Amount to be provided from component unit resources									278,352	278,352		
Total assets and other debits	\$4,147,680	\$6,562,782	\$1,924,757	\$2,079,018	\$3,509,184	\$23,945,634	\$6,155,830	\$49,177,155	\$6,090,103	\$55,267,258		

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

continued

HENRY COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUPS, AND DISCREETLY PRESENTED COMPONENT UNITS
DECEMBER 31, 2000

	Governmental Fund Types				Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Total Primary Government (Memorandum Only)	Component Unit	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects			Enterprise	Trust and Agency			
LIABILITIES, EQUITY AND OTHER CREDITS											
LIABILITIES:											
Accounts payable	\$107,377	\$200,014			\$112,830			\$420,221	\$123,381	\$543,602	
Accrued wages and benefits	135,829	190,767			7,467			334,063	104,618	438,681	
Compensated absences payable	15,735	14,113			6,724		\$717,634	754,206	278,352	1,032,558	
Pension obligation payable	69,860	85,791			3,402			159,053	50,121	209,174	
Advances from other funds				\$168,000				168,000	1,919,881	1,68,000	
Deferred revenue	1,735,029	1,091,993	\$850,696	555,872				4,233,590		6,153,471	
Due to other funds		1,621						1,621		1,621	
Due to other governments	7,468	52,329			4,703	\$3,296,362		3,360,862	213	3,361,075	
Due to primary government									698	698	
Amount to be repaid to claimants						9,115		9,115		9,115	
Deposits held and due to others						193,494		193,494	20,313	213,807	
Accrued interest payable				3,876				42,740		42,740	
Estimated liability for landfill closure costs					1,473,185			1,473,185		1,473,185	
Revenue bonds payable				95,000			2,650,000	2,650,000		2,650,000	
Notes payable					1,100,000		2,220,000	1,195,000		1,195,000	
General obligation bonds payable								2,220,000		2,220,000	
Special assessment debt with government commitment							393,352	393,352		393,352	
OWDA loan payable							174,844	174,844		174,844	
Total liabilities	2,071,298	1,636,628	850,696	822,748	2,747,175	3,498,971	6,155,830	17,783,346	2,497,577	20,280,923	
EQUITY AND OTHER CREDITS:											
Investment in general fixed assets											
Accumulated Deficit					(668,157)			23,945,634	3,044,402	26,990,036	
Fund balances:								(668,157)		(668,157)	
Reserved for encumbrances	38,416	101,945						140,361	3,279	143,640	
Reserved for materials and supplies inventory	28,261	105,825						134,086	10,258	144,344	
Reserved for loans	47,479	1,089,036		10				1,089,036	9,529	1,089,036	
Reserved for prepayments	168,000	6,228						168,000		168,000	
Reserved for advances								53,717		63,246	
Reserved for debt service								1,074,061		1,074,061	
Unreserved-undesignated	1,794,226	3,623,120	1,074,061	29,512		10,213		5,457,071	525,058	5,982,129	
Total equity and other credits	2,076,382	4,926,154	1,074,061	29,522	(668,157)	10,213	23,945,634	31,393,809	3,592,526	34,986,335	
Total liabilities, equity and other credits	\$4,147,680	\$6,562,782	\$1,924,757	\$852,270	\$2,079,018	\$3,509,184	\$23,945,634	\$49,177,155	\$6,090,103	\$55,267,258	

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HENRY COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE YEAR ENDED DECEMBER 31, 2000

	Governmental Fund Types				Fiduciary Fund Type	Total Primary Government (Memorandum Only)	Component Units	Total Reporting Entity (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust			
Revenues:								
Property and other taxes	\$1,774,294	\$1,142,732	\$704,808			\$3,621,834	\$1,938,288	\$5,560,122
Sales taxes	1,942,753	386,206				2,328,959		2,328,959
Charges for services	736,128	1,053,820	21,792			1,811,740	775,531	2,587,271
Licenses and permits	3,608	89,766				93,374		93,374
Fines and forfeitures	79,567	130,810				210,377		210,377
Special assessments	929,511		65,544	\$219,364		1,214,419		1,214,419
Intergovernmental		6,456,161		148,896		6,605,057	1,258,494	7,863,551
Investment income	631,203	64,235	22,475			717,913		717,913
Rental income	4,682	425				5,107		5,107
Other	150,423	1,001,195	290,375	9,594		1,451,587	964,088	2,415,675
Total revenues	6,252,169	10,325,350	1,104,994	377,854		18,060,367	4,936,401	22,996,768
Expenditures:								
Current:								
General government:								
Legislative and executive	1,219,501	303,935				1,523,436		1,523,436
Judicial	846,141	109,040				955,181		955,181
Public safety	1,601,240	272,469				1,873,709		1,873,709
Public works	199,551	3,502,730				3,702,281		3,702,281
Health	19,123	1,233,009				1,252,132	164,996	1,417,128
Human services	672,741	3,408,598				4,081,339	4,889,111	8,970,450
Economic development and assistance		184,222				184,222		184,222
Other	1,350,104	41	33,575	226		1,383,946		1,383,946
Capital outlay		331,177		359,785		690,962		690,962
Debt service:								
Principal retirement			583,077			583,077		583,077
Interest and fiscal charges			309,223	1,730		310,953		310,953
Total expenditures	5,908,401	9,345,221	925,875	361,741		16,541,238	5,054,107	21,595,345
Excess (deficiency) of revenues over (under) expenditures	343,768	980,129	179,119	16,113		1,519,129	(117,706)	1,401,423
Other financing sources (uses):								
Operating transfers in		129,403	16,638			146,041		146,041
Operating transfers out	(284,403)			(16,638)		(301,041)		(301,041)
Total other financing sources (uses)	(284,403)	129,403	16,638	(16,638)		(155,000)		(155,000)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	59,365	1,109,532	195,757	(525)		1,364,129	(117,706)	1,246,423
Fund balance at January 1	2,014,106	3,821,266	878,304	30,047	\$10,213	6,753,936	671,145	7,425,081
Increase (decrease) in reserve for inventory	2,911	(4,644)				(1,733)	(5,315)	(7,048)
Fund balance at December 31	\$2,076,382	\$4,926,154	\$1,074,061	\$29,522	\$10,213	\$8,116,332	\$548,124	\$8,664,456

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HENRY COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED DECEMBER 31, 2000

	General Fund			Special Revenue Funds			Debt Service Funds			Capital Projects Funds			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
Taxes:															
Property taxes	\$1,620,151	\$1,771,001	\$150,850	\$1,016,619	\$1,144,373	\$127,754	\$614,458	\$705,793	\$91,335	\$3,251,228	\$3,621,167	\$369,939	\$3,251,228	\$3,621,167	\$369,939
Sales taxes	1,765,255	1,929,606	164,351	308,830	308,830	(308,830)				2,074,085	1,929,606	(144,479)	2,074,085	1,929,606	(144,479)
Charges for services	669,093	731,390	62,297	950,494	1,066,294	115,800	27,780	23,045	(4,735)	1,647,367	1,820,729	173,362	1,647,367	1,820,729	173,362
Licenses and permits	3,298	3,608	310	80,413	89,766	9,353				83,711	93,374	9,663	83,711	93,374	9,663
Fines and forfeitures	64,869	70,910	6,041	87,838	128,552	40,714				152,707	199,462	46,755	152,707	199,462	46,755
Intergovernmental	865,662	946,262	80,600	6,872,533	7,040,830	168,297	60,968	65,543	4,575	7,888,195	8,135,987	247,792	7,888,195	8,135,987	247,792
Special assessments										\$150,000	\$148,896	(\$1,104)	\$150,000	\$148,896	(\$1,104)
Investment income	574,278	627,748	53,470	43,051	60,557	17,506	19,856	21,204	1,348	637,185	709,509	72,324	637,185	709,509	72,324
Other	4,284	4,682	398	1,249,385	1,280,090	30,705	277,144	290,375	13,231	1,891,986	1,679,740	(212,246)	1,891,986	1,679,740	(212,246)
Total revenues	5,566,890	6,085,206	518,316	10,609,163	10,810,461	201,298	1,000,206	1,105,960	105,754	17,958,326	18,476,627	518,301	17,958,326	18,476,627	518,301
Expenditures:															
Current:															
General government:															
Legislative and executive	1,408,244	1,284,759	123,485	496,348	345,695	150,654				1,904,593	1,630,454	274,139	1,904,593	1,630,454	274,139
Judicial	895,574	844,045	51,529	6,329	2,013	4,316				901,903	846,058	55,845	901,903	846,058	55,845
Public safety	1,680,357	1,568,159	112,198	356,579	277,162	79,417				2,036,935	1,845,320	191,615	2,036,935	1,845,320	191,615
Public works	282,038	185,484	96,554	4,146,482	3,652,380	494,102				4,428,520	3,837,864	590,656	4,428,520	3,837,864	590,656
Health	44,426	18,740	25,686	1,411,014	1,228,947	182,067				1,455,440	1,247,687	207,753	1,455,440	1,247,687	207,753
Human services	760,965	673,507	87,458	3,931,609	3,500,730	430,879				4,692,574	4,174,237	518,336	4,692,574	4,174,237	518,336
Transportation				9,960	9,960	9,960				9,960			9,960		
Other	1,372,566	939,906	432,661	40	40	0	38,865	31,813	7,052	1,867,811	1,359,347	508,464	1,867,811	1,359,347	508,464
Capital outlay				1,159,411	953,477	205,934				708,400	405,870	302,530	708,400	405,870	302,530
Debt service:															
Principal retirement							699,455	576,188	123,267	176,889	176,889	0	876,344	753,077	123,267
Interest and fiscal charges				200,188	299,474	(99,286)				13,434	312,621	285	213,621	312,621	(99,001)
Total expenditures	6,444,171	5,514,601	929,570	11,517,772	9,960,444	1,557,328	938,308	907,475	31,033	19,799,372	16,978,626	2,820,746	19,799,372	16,978,626	2,820,746
Excess(deficiency) of revenues over(under) expenditures	(877,281)	570,606	1,447,886	(908,609)	850,017	1,758,626	61,698	198,485	136,787	(116,855)	(121,107)	(4,252)	(1,841,046)	1,498,001	3,339,047
Other Financing Sources (Uses):															
Operating transfers in				98,073	102,008	3,935				98,073	102,008	3,935			
Operating transfers (out)	(284,404)		(284,404)												
Other financing sources	168,665	184,369	15,704							168,665	184,369	15,704			
Other financing (uses)	(346,666)	(338,967)	7,699	(2,553)	(1,760)	(1,760)				(349,219)	(340,889)	7,537			
Total other financing sources (uses)	(178,001)	(439,001)	(261,001)	98,073	102,008	3,935	(2,553)	(1,760)	(1,760)	(82,481)	(338,915)	(257,228)	(82,481)	(338,915)	(257,228)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	(1,055,281)	131,604	1,186,885	(810,536)	952,025	1,762,561	59,145	196,725	136,787	(116,855)	(121,269)	(4,414)	(1,923,527)	1,159,085	3,081,819
Fund balance, January 1	1,423,320	1,423,320	0	2,699,731	2,699,731	0	874,474	874,474	0	404,005	404,005	0	5,401,530	5,401,530	0
Prior year encumbrances appropriated	71,680	71,680	0	242,063	242,063	0	0	0	0	13,652	13,652	0	327,395	327,395	0
Fund balance, December 31	\$439,719	\$1,626,604	\$1,186,885	\$2,131,258	\$3,893,819	\$1,762,561	\$933,619	\$1,071,199	\$136,787	\$300,802	\$296,388	(\$4,414)	\$3,805,398	\$6,888,010	\$3,081,819

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HENRY COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN ACCUMULATED DEFICIT
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Operating revenues:	
Charges for services	\$939,331
Other operating revenues	301,306
	1,240,637
Total operating revenues	
Operating expenses:	
Personal services	160,995
Contract services	648,129
Materials and supplies	359,580
Depreciation	36,325
Other	88,752
Landfill closure and post-closure costs.	177,220
	1,471,001
Total operating expenses	
Operating loss	(230,364)
Nonoperating revenues (expenses):	
Interest expense and fiscal charges.	(56,563)
Loss on sale of fixed assets.	(39,600)
Investment earnings	64,306
	(31,857)
Total nonoperating expenses	
Net loss before operating transfers	(262,221)
Operating transfers in.	155,000
	(107,221)
Net loss	
Accumulated deficit at January 1	(560,936)
Accumulated deficit at December 31	(\$668,157)

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HENRY COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2000

	Proprietary Fund Type
	Enterprise
Cash flows from operating activities:	
Cash received from customers	\$942,197
Cash received from other operations	300,579
Cash payments for personal services	(155,503)
Cash payments for contract services	(575,433)
Cash payments supplies and materials	(359,124)
Cash payments for other expenses	(88,752)
Net cash provided by operating activities	63,964
Cash flows from noncapital financing activities:	
Transfers in from other funds	155,000
Net cash provided by noncapital financing activities	155,000
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt	1,100,000
Principal retirement	(1,235,000)
Interest paid	(54,245)
Acquisition of capital assets	(33,097)
Net cash used in capital and related financing activities	(222,342)
Cash flows from investing activities:	
Interest received	60,717
Net cash provided by investing activities	60,717
Net increase in cash and cash equivalents	57,339
Cash and cash equivalents at January 1	1,425,541
Cash and cash equivalents at December 31	\$1,482,880
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	(\$230,364)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	36,325
Changes in assets and liabilities:	
Decrease in materials and supplies inventory	456
Decrease in accounts receivable	2,738
Increase in prepayments	(2)
Increase in due from other funds	(599)
Increase in accounts payable	70,779
Decrease in pension obligation payable	(907)
Increase in accrued wages and benefits	2,973
Increase in compensated absences payable	3,426
Increase in due to other governments	1,919
Increase in estimated liability for landfill closure	177,220
Net cash provided by operating activities	\$63,964

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY

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 general purpose financial statements (GPFS) include all funds, account groups, agencies, boards, commissions, and component units for which Henry County and the County commissioners are "accountable". Accountability as defined in GASB Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's general purpose financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of PCU's board; fiscal dependency and whether a benefit or burden relationship exists; imposition of will; and the nature and significance of the PCU's relationship with the County. Responsibility was evaluated on the basis of financial dependence and the manifestations of oversight exercised by the Commissioners. Among the factors considered were budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, reliance of the organization on continuing subsidies from the County, selection of governing authority, and designation of management.

Based on the foregoing criteria, the financial activities of the following PCUs have been reflected in the accompanying general purpose financial statements as follows:

DISCRETELY PRESENTED COMPONENT UNIT

Henry County Board of Mental Retardation and Development Disabilities (MRDD) - The County Commissioners appoint a majority of the Board's members, approve the budget and authorize the expenditure of funds. The Board does not provide services solely to the primary government, and the board of MRDD is not considered substantively the same as the primary government (Henry County). Thus, discrete presentation is appropriate. Complete financial statements of the component unit can be obtained from the administrative office at the following address: Board of MRDD, J-169 State Route 65, McClure, OH 43534.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY - (Continued)

Henry County Senior Center - The County Commissioners levy taxes and serve as the appropriating authority for certain funds of the Senior Center. The operations of the Senior Center are accounted for as a Component Unit.

JOINTLY GOVERNED ORGANIZATIONS

Maumee Valley Planning Organization - Henry County is a member of the Maumee Valley Planning Organization (MVPO) which is a jointly governed organization between Defiance, Fulton, Henry, Paulding, and Williams Counties and the respective townships and municipalities in each of those counties. The purpose of MVPO is to act as a joint regional planning commission to write and administer CDBG grants and help with housing rehabilitation in the area.

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2000, the County paid administrative fees of \$2,038 and per capita charges of \$71,274 to MVPO.

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Defiance, Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of services. Total expenditures made by the County to the Council in 2000 were \$953,290. Fulton County acts as the fiscal agent for the Council.

JOINT VENTURES - WITHOUT EQUITY INTEREST

Northwest Ohio Correctional Center - Henry County is a member of Northwest Ohio's Multicounty - Municipal Correctional Center, which is a joint venture between Defiance, Fulton, Henry, Lucas and Williams counties and the City of Toledo. The purpose of the center is to provide additional jail space for convicted criminals in the 5 counties and the City of Toledo, and to provide a correctional center for the inmates. The Corrections Commission joint venture was created in 1986 and construction was finished and occupancy was taken December 31, 1991.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY - (Continued)

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 2000 were \$594,820. Complete financial statements for the Corrections Commission can be obtained from the Corrections Commission's administrative office on County Road 24 in Stryker, Ohio.

Four County ADAMHS Board - The Four County Board of Alcohol, Drug Addiction and Mental Health Services (ADAMHS Board) is a joint venture between Fulton, Defiance, Henry and Williams counties. The purpose of this board is to provide alcohol, drug addiction, and mental health services to individuals in the four counties.

The Four County ADAMHS Board is governed by a board consisting of 18 members. The breakdown is as follows: 4 members are appointed by the Ohio Director of Alcohol and Drug Addiction Services, 4 are appointed by the Ohio Director of Mental Health Services, 3 each are appointed by the Defiance and Fulton County Commissioners, and 2 each are appointed by the Henry and Williams County Commissioners.

The main sources of revenue for the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board, it would be entitled to a share of state and federal grants that is currently being received by the Board. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements for the Board can be obtained from the Board at its offices located at State Routes 34 and 66, Archbold, Ohio.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY - (Continued)

Quadco Rehabilitation Center, Administrative Board - The County is a participant with Defiance, Fulton and Williams Counties in a joint venture to operate Quadco Rehabilitation Center, Administrative Board (Quadco). Quadco, a nonprofit corporation, provides services and facilities for training physically and mentally disabled persons. Quadco is responsible for contracting with various agencies to obtain funding to operate the organization.

Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board, in conjunction with the County Boards of MRDD assess the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2000, the County remitted \$772,482 to Quadco to supplement its operations.

The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. Should Quadco dissolve, the property and equipment of the corporation would revert back to the four counties. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Complete financial statements can be obtained from Quadco's administrative office at 427 N. Defiance Street, Stryker, Ohio.

Northwest Ohio Juvenile Detention, Training, and Rehabilitation District - The County is a participant with Defiance, Fulton, and Williams Counties in a joint venture to operate the Northwest Ohio Juvenile Detention, Training, and Rehabilitation District (NWOJDD), established to operate both detention and training and rehabilitation facilities for juveniles.

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. Total expenditures made by the County to NWOJDD in 2000 were \$162,029. Defiance County acts as the fiscal agent for NWOJDD.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 1 - REPORTING ENTITY - (Continued)

RELATED ORGANIZATIONS

Henry County Metropolitan Housing Authority - The Henry County Metropolitan Housing Authority is a related organization of the County. The County appoints a majority of the five members of the Housing Authority. The Housing Authority adopts its own budget and operates autonomously from the County.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and reporting practices of Henry County conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The following is a summary of its significant accounting policies:

A. BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are maintained on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity or retained earnings, as appropriate; and revenues, and expenditures or expenses, as appropriate. The following fund types and account groups are used by the County:

GOVERNMENTAL FUNDS:

General Fund - The general fund is used to account for all activities of the County not required to be included in another fund.

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

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

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

PROPRIETARY FUNDS:

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

FIDUCIARY FUNDS:

Trust and Agency Funds - These funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These include expendable trust funds and agency funds. Agency funds are custodial in nature, and do not present results of operations or have a measurement focus (i.e., assets equal liabilities). Agency funds are presented on a budgetary basis, with note disclosure, if applicable, regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS:

General Fixed Asset Account Group - The general fixed assets account group is used to account for all general fixed assets of the County, other than those fixed assets accounted for in the proprietary funds.

General Long-Term Obligations Account Group - The general long-term obligations account group is used to account for all long-term obligations of the County, except those accounted for in the proprietary funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

COMPONENT UNITS:

Component Units - Component units are either legally separate organizations for which the elected officials of the County are not financially accountable, or legally separate organizations for which the nature and significance of its relationship with the County is such that exclusion would not cause the County's financial statements to be misleading or incomplete.

B. BASIS OF ACCOUNTING

The modified accrual basis of accounting is followed for governmental, expendable trust funds, and component units. Revenues are recognized in the period when measurable and available to meet obligations incurred during the year. The County defines available as meaning collectible within 60 days of year-end. Revenues which are accrued include earnings on investments; delinquent real and personal property taxes; sales taxes; federal and state grants and subventions; and charges for current services.

Deferred revenues, as reported on the combined balance sheet, arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes that are measurable as of December 31, 2000, but are intended to finance 2001 operations, and delinquent property taxes, whose availability is indeterminate, have been recorded as deferred revenue.

The only revenue sources not susceptible to accrual include dog and vendor licenses, donations, and certain fines and forfeitures.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Expenditures are recognized when the related liability is expected to be liquidated with expendable available financial resources with the following exceptions: general long term obligation principal and interest is reported only when paid, and the costs of accumulated unpaid vacation and sick leave are reported in the period due and payable rather than in the period earned by employees.

The proprietary funds are accounted for on the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized in the period incurred. Unbilled service charges receivable are recognized as revenue at year-end.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) includes accumulated deficit. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

C. BUDGETARY DATA

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

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.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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. The County is accorded discretion in its method of appropriating federal funds. 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 fund level. For funds which are directly appropriated by the Commissioners, transfers of appropriations at the fund level requires 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 2000.
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.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. ENCUMBRANCES

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

E. CASH 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 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" (both unrestricted and restricted) and "investments" on the combined balance sheet.

During fiscal year 2000, investments were limited to repurchase agreements and certificates of deposit.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit and repurchase agreements are reported at cost.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The County allocates interest to funds of the internal investment pool in a manner consistent with Ohio statute, federal regulation, or Commissioners' resolution. The following fund was credited with more interest revenue than would have been received based upon its share of the County's cash fund balance during 2000:

	<u>Interest Actually Received</u>	<u>Interest Based upon Share of Cash Fund Balance</u>	<u>Interest Assigned from Other Funds</u>
General	\$631,203	\$112,835	\$518,368

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

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the County are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments, to the extent a specific fund has purchased the investment.

An analysis of the Treasurer's investment account at year end is provided in Note 4.

F. RESTRICTED ASSETS

Restricted assets in the enterprise fund types represent investments required to be set aside by state and federal laws and regulations to finance closure and postclosure care costs of the County's landfill.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 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. In 2000, the County incurred expenditures of \$3,581 in providing these services, and recognized revenues of \$3,415 for premiums received from these former employees.

H. INVENTORIES OF MATERIALS AND SUPPLIES

Inventories are valued at cost using the first in, first out method. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in the proprietary funds when used. The total of inventories at year end is reported as a reservation of fund balance in the governmental funds because it does not represent available, spendable resources.

I. PROPERTY, PLANT, EQUIPMENT, AND DEPRECIATION

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their fair market values as of the date donated. The County follows a policy of not capitalizing infrastructure, which is defined as assets that are immovable and of value only to the County (i.e., roads, bridges, etc.), ornamental artifacts, or any asset with a cost of less than \$500. No depreciation is recognized for assets in the account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Enterprise Funds

Property, plant, and equipment reflected in the enterprise funds are stated at cost (or estimated historical cost) and updated for the cost of additions and disposals during the year. Contributed fixed assets are recorded at their fair market value as of the date donated. Depreciation and amortization have been provided on a straight-line basis over the following estimated useful lives:

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

<u>Description</u>	<u>Estimated Life</u>
Autos and trucks	5
Machinery, equipment, furniture and fixtures	5 - 15
Building improvements	15
Sewer and water treatment plants and buildings	20
Other buildings	25 - 50
Sewer and water mains	70

The County also capitalizes the cost of major renovations which extend the useful life of an asset or which enable it to perform new or more valuable services. Interest on tax exempt debt issued to construct enterprise fund fixed assets is capitalized, net of interest earned on the proceeds of such debt.

J. COMPENSATED ABSENCES

Compensated absences of the County consist of vacation leave and sick leave to the extent that payment to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, Accounting for Compensated Absences, a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at the balance sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Accumulated vacation and sick leave of Governmental Fund Type employees meeting the above requirements have been recorded in the appropriate Governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the General Long-Term Obligations Account Group. Vacation and sick leave benefits for employees meeting the above requirements who are paid from Proprietary funds are recorded as an expense when earned.

County employees earn vacation at varying rates ranging from two to five weeks per year. Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked. Vacation and sick leave is accumulated on an hours-worked basis. Vacation pay is vested after one year and sick pay upon eligibility for retirement. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee. The County does not accrue a liability for non-vested sick leave or vacation benefits except as required by GASB Statement No. 16 (see above).

K. INTERGOVERNMENTAL REVENUES

Unrestricted intergovernmental revenues received on the basis of entitlement are recorded as receivables and revenues when the entitlement occurs. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred.

L. LONG-TERM OBLIGATIONS

Long-term obligations for general obligation bonds, vested sick and vacation leave, capital lease obligations, and any claims or judgement that are expected to be paid from the governmental funds are shown in the General Long-Term Obligations Account Group, while those expected to be paid from proprietary funds are shown as a liability of those funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. INTERFUND TRANSACTIONS

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another (quasi-external transactions) are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Amounts outstanding at year-end are reported on the balance sheet as due to/from other funds.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reported as interfund loans receivable or payable on the combined balance sheet.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources.
5. Non recurring and non-routine permanent transfers of equity are reported as residual equity transfers.

An analysis of interfund transactions is presented in Note 5.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. FUND BALANCE RESERVES

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or use. The unreserved portions of fund equity reflected in the governmental funds are available for use within the specific purposes of the funds.

The County reports amounts representing material and supplies inventories, available debt service equity, prepayment items, encumbrances outstanding, loans receivable, and long-term interfund obligations as reservations of fund balance in the governmental funds.

O. PREPAIDS AND DEFERRALS

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, because prepayments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to the carrying value of the asset.

P. FINANCIAL REPORTING FOR PROPRIETARY AND SIMILAR FUND TYPES

The County's financial statements have been prepared in accordance with GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. This Statement is effective for financial statements beginning after December 15, 1993. The County accounts for its proprietary activities in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Q. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

R. RECEIVABLES AND PAYABLES

Receivables and payables to be recorded on the County's financial statements are recorded to the extent that the amounts are determined material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of payables, collectibility.

Using this criteria, the County has elected to not record child support arrearages within the Special Revenue and Agency fund types. These amounts, while potentially significant, are not considered measurable, and because collections are often significantly in arrears, the County is unable to determine a reasonable value.

S. TOTAL COLUMNS ON GENERAL PURPOSE FINANCIAL STATEMENTS

Total Columns on the general purpose financial statements are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. When the title of the statement indicates that a component unit is included, two total columns are presented. The first is captioned "primary government" to indicate that only those activities that comprise the County's legal entity have been included. The second is captioned "reporting entity" and includes operations of the County's legally separate discretely presented component unit (see Note 2.A). The total column on statements which do not include the component unit have no additional caption.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. DEFICIT RETAINED EARNINGS/FUND BALANCES

Retained earnings/fund balances at December 31, 2000 included the following individual fund deficits:

	<u>Deficit Fund Balance/ Retained Earnings</u>
<u>Special Revenue Fund:</u>	
Youth Services	\$ (919)
<u>Capital Projects Funds:</u>	
Grelton Waterline Extension	(91,278)
Misamore Petition Ditch	(150,436)
<u>Enterprise Funds:</u>	
Hahn Center	(418,376)
Landfill Closure and Post Closure	(355,154)
<u>Component Unit:</u>	
Henry Co. Residential Services	(9,420)

These deficits are caused by the application of generally accepted accounting principles to these funds. These GAAP deficits will be funded by anticipated future revenues or other subsidies not recognized or recorded at December 31. The General fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

B. LEGAL COMPLIANCE

The following funds had expenditures plus encumbrances in excess of appropriations contrary to Section 5705.41, Ohio Revised Code:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Debt Service Funds:</u>	
Courthouse Improvement	\$119,449
Hospital Reserve	1,948

The following funds had appropriations in excess of estimated revenues plus available balances for the year ended December 31, 2000:

<u>Fund Type/Fund</u>	<u>Excess</u>
<u>Special Revenue Funds:</u>	
Computer Resource	\$100,923
Daughter/Son Sexual Abuse Grant	5,585
Litter Control	32,678
Mediation	106,376
Block Grant	4,689
Civil Defense	575
<u>Capital Projects Fund:</u>	
Grelton Waterline Extension	698

C. AGENCY FUNDS

The following are material receivables for Agency fund types, which, in other fund types, would be reported in the combined balance sheet:

<u>Assets</u>	
Real and Other Taxes Receivable	\$22,363,717
Special Assessments Receivable	645,442
Due from Other Governments	16,419
	<u>\$23,025,578</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

Monies held by the County are classified by State statute into three categories:

Active deposits are public deposits necessary to meet current demands on the treasury. Such 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.

Inactive deposits are public deposits that the County has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits in interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim monies may be deposited or invested in the following:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio or its political subdivisions, provided that such political subdivisions are located wholly or partly within the County;

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

Cash in Segregated Accounts: At year end, \$210,392 was on deposit in segregated accounts used by various County departments, and included in the total amount of deposits reported below; however, this amount is not part of the internal cash pool reported on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents".

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Cash on Hand: At year end, the County had \$165,130 in undeposited cash on hand which is included on the Balance Sheet of the County as part of “Equity in Pooled Cash and Cash Equivalents,” but is not part of the County’s carrying amount of deposits, reported below.

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements.

Deposits: At year-end, the carrying amount of the County's deposits was \$11,437,884 and the bank balance was \$11,946,463. Both amounts include non-negotiable certificates of deposit and deposits representing custodial funds described in Note 1. Of the bank balance:

1. \$626,697 was covered by federal depository insurance; and
2. \$11,319,766 was uninsured and uncollateralized as defined by GASB even though it was covered by collateral held by third party trustees pursuant to Section 135.81, Ohio Revised Code. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

Investments: The County’s investments are required to be categorized to give an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the County’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the County’s name.

	Category 3	Fair Value
Repurchase Agreements	<u>\$1,500,000</u>	<u>\$1,500,000</u>
Total Investments	<u>\$1,500,000</u>	<u>\$1,500,000</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

The classification of cash and cash equivalents on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet per GASB Statement No. 9 and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$12,602,622	\$ 290,000
Reclassifications:		
Repurchase Agreements	(1,500,000)	1,500,000
Cash in segregated accounts	210,392	
Certificates of deposit	290,000	(290,000)
Cash on hand	<u>(165,130)</u>	<u> </u>
GASB Statement No. 3 Investments		<u>\$1,500,000</u>
Total Cash Equity Carrying Amount Per GASB Statement No. 3	<u>\$11,437,884</u>	

NOTE 5 - INTERFUND TRANSACTIONS

A. Long-term interfund loans (outstanding for greater than one year) at December 31, 2000, consisted of the following individual fund receivables and payables:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances (from) Other Funds</u>
General Fund	\$168,000	
Capital Projects Funds:		
Misamore Ditch		\$(120,000)
Grelton Waterline Extension	<u> </u>	<u>(48,000)</u>
Total Interfund Receivables/Payables	<u>\$168,000</u>	<u>\$(168,000)</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

B. Interfund balances at December 31, 2000 which result from quasi-external transactions consist of the following individual fund receivables and payables:

Funds	Due from Other Funds	Due (to) Other Funds
General Fund	\$ 894	
Special Revenue Funds:		
MVGT		\$ (676)
Public Assistance		(359)
Solid Waste		(297)
Litter Control		(10)
Dog & Kennel		(199)
Felony Delinquent Care and Custody		(34)
Civil Defense		(46)
Total Special Revenue Funds	0	(1,621)
Enterprise Fund:		
Landfill	727	
Total Due to/Due from Other Funds	\$1,621	\$(1,621)
	Due from Component Units	Due (to) Primary Government
General Fund	\$400	
Special Revenue Funds:		
Public Assistance	298	
Component Units:		
Henry Co. Residential Services		\$(508)
Senior Citizens' Center		(190)
Total	\$698	\$(698)

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

C. A reconciliation of the County's operating transfers for 2000 is as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General Fund		\$ (284,403)
Special Revenue Funds:		
Litter Control	\$ 32,885	
Marine Patrol	3,000	
Solid Waste Management	3,000	
911	38,298	
Mediation	20,000	
Civil Defense	<u>32,220</u>	
Total Special Revenue Funds	<u>129,403</u>	
Debt Service Fund:		
Grelton Water Line Extension	16,638	
Capital Projects Fund:		
Grelton Water Line Extension		(16,638)
Enterprise Funds:		
Landfill Closure	60,000	
Hahn Center	<u>95,000</u>	
Total Enterprise Funds	<u>155,000</u>	_____
Total Transfers In/Out	<u>\$301,041</u>	<u>\$(301,041)</u>

NOTE 6 - 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% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 50% of cost). Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2000 taxes were collected is \$500,813,733. The full tax rate for all County operations (including component units) applied to real property for tax year ended December 31, 2000, was \$13.90 per \$1,000 of assessed valuation. The full tax rate for debt service was \$1.40 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due February 15, 2000. If paid semi-annually, the first payment is due February 15, 2000 and the remainder payable by July 20, 2000. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due April 30 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law. The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

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

Since the current levy is not intended to finance 2000 operations, the receivable is offset by a credit to "Deferred Revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 60 days of 2001 are shown as 2000 revenue; the remainder is shown as "Deferred Revenue".

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.

HENRY COUNTY, OHIO

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000**

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1987, the County Commissioners by resolution imposed a 1% percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer 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 of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the sales and use tax are credited to the General Fund and the Motor Vehicle and Gas Tax Fund. Amounts which meet the available and measurable criteria as defined in Note 2B. are accrued as revenue. Total sales and use tax revenue for 2001 amounted to \$2,328,959.

NOTE 8 - LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loans receivable balance at December 31, 2000 was \$1,089,036.

NOTE 9 - FIXED ASSETS

A. A summary of the proprietary fund property, plant, and equipment at December 31, 2000 is as follows:

Land	\$ 352,180
Vehicles	564,886
Machinery and Equipment	<u>62,621</u>
Total Gross Assets	979,687
Less: Accumulated Depreciation	<u>(391,743)</u>
Total Net Assets	<u>\$ 587,944</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 9 - FIXED ASSETS - (Continued)

B. A summary of changes in general fixed assets during 2000 follows:

	<u>Balance at January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2000</u>
Land	\$ 478,709			\$ 478,709
Buildings	18,595,206	\$678,523	\$ (6,833)	19,266,896
Furniture, Fixtures, Machinery and Equipment	1,775,449	82,910	(28,454)	1,829,905
Vehicles	2,283,968	168,403	(82,247)	2,370,124
Construction-in-progress	<u>543,523</u>	<u> </u>	<u>(543,523)</u>	<u>0</u>
 Total General Fixed Asset Account Group	 <u>\$23,676,855</u>	 <u>\$929,836</u>	 <u>\$(661,057)</u>	 <u>\$23,945,634</u>

C. A summary of changes in Component Unit fixed assets during 2000 follows:

	<u>Balance at January 1, 2000</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2000</u>
Component Units	<u>\$3,051,184</u>	<u>\$23,886</u>	<u>\$(30,668)</u>	<u>\$3,044,402</u>

NOTE 10 - VACATION AND SICK LEAVE LIABILITY

Vacation and sick leave accumulated by governmental fund type employees has been recorded in the General Long-Term Obligations Account Group. Vacation and sick leave earned by proprietary funds type employees is expensed when earned.

Upon termination of County service, a fully vested employee is entitled to a percentage of their accumulated sick leave based on their years of service not to exceed 90 days and all accumulated vacation. At December 31, 2000 vested sick leave benefits for all governmental fund type employees and all component unit employees totaled \$660,756. The total liability for all compensated absences (including vacation) for all governmental fund types, component units, proprietary fund types and General Long-Term Obligations Account Group is \$1,039,975.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 11 - LONG-TERM DEBT

The County's long-term debt at year-end consisted of an OWDA loan, a courthouse improvement bond with general government commitment, special assessment bonds with general government commitment, revenue bonds and compensated absences (all of which are recorded in the General Long-Term Obligations Account Group).

A. The following is a summary of the changes in the County's long-term obligations during 2000:

	<u>Original Amount Issued</u>	<u>Outstanding 1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 12/31/00</u>
<u>General Government:</u>					
1996 - 5.25% General Obligation Bond	\$4,000,000	\$2,600,000		\$(380,000)	\$2,220,000
1990 - 2% OWDA Loan	291,706	186,032		(11,188)	174,844
Compensated Absences	<u>N/A</u>	<u>802,162</u>		<u>(84,528)</u>	<u>717,634</u>
Total General Government	<u>4,291,706</u>	<u>3,588,194</u>		<u>(475,716)</u>	<u>3,112,478</u>
<u>Special Assessment Bonds with Governmental Commitment:</u>					
1995 - 6.15% to 9.9%	345,000	230,000		(35,000)	195,000
1998 - 4.75%	<u>211,925</u>	<u>205,241</u>		<u>(6,889)</u>	<u>198,352</u>
Total Special Assessment Bonds	<u>556,925</u>	<u>435,241</u>		<u>(41,889)</u>	<u>393,352</u>
<u>Revenue Bonds:</u>					
1989 - 5% Hospital Addition	375,000	304,000		(9,000)	295,000
1992 - 5% Hospital Improvement	<u>4,025,000</u>	<u>2,496,000</u>		<u>(141,000)</u>	<u>2,355,000</u>
Total Revenue Bonds	<u>4,400,000</u>	<u>2,800,000</u>		<u>(150,000)</u>	<u>2,650,000</u>
Total General Long-Term Obligations Account Group	<u>\$9,248,631</u>	<u>\$6,823,435</u>	<u>\$ 0</u>	<u>\$(667,605)</u>	<u>\$6,155,830</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 11 - LONG-TERM DEBT - (Continued)

The revenue bonds are supported by the full faith and credit of the County; the OWDA loan and special assessment bonds are supported by special assessments and users fees, with a County commitment, and the courthouse improvement bond is supported by a tax levied on all taxable property in the County.

B. The following is a summary of the County's future annual debt service principal and interest requirements for long-term obligations:

	<u>OWDA Loan</u>		<u>Special Assessment Bonds</u>		<u>General Obligation Bond</u>		<u>Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 11,412	\$ 3,498	\$ 32,217	\$ 21,552	\$ 400,000	\$116,230	\$ 158,000	\$ 132,500	\$ 601,629	\$ 273,780
2002	11,640	3,269	32,559	19,671	420,000	95,630	165,000	124,600	629,199	243,170
2003	11,873	3,036	27,918	17,762	445,000	74,000	174,000	116,350	658,791	211,148
2004	12,111	2,798	28,295	16,146	465,000	50,860	182,000	107,650	687,406	177,454
2005	12,353	2,556	29,554	13,646	490,000	26,215	192,000	98,550	723,907	140,967
2006 - 2010	65,570	8,974	130,266	46,549	0	0	1,112,000	339,150	1,307,836	394,673
2011 - 2015	49,885	2,295	65,069	24,005	0	0	581,000	72,450	695,954	98,750
2016 - 2019			47,474	2,059	0	0	86,000	11,000	133,474	13,059
Total	<u>\$174,844</u>	<u>\$26,426</u>	<u>\$393,352</u>	<u>\$161,390</u>	<u>\$2,220,000</u>	<u>\$362,935</u>	<u>\$2,650,000</u>	<u>\$1,002,250</u>	<u>\$5,438,196</u>	<u>\$1,553,001</u>

C. 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 effect of this debt limitation at December 31, 2000, was an unvoted debt margin of \$2,069,889, and a total debt margin (voted and unvoted) of \$8,082,095, both of which include available funds of \$391,752.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 12 - NOTES PAYABLE

The County had the following bond anticipation notes outstanding at December 31, 2000:

	<u>Issue Date</u>	<u>Balance 1/1/00</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance 12/31/00</u>
<u>General Obligation</u>					
<u>Bond Anticipation Notes:</u>					
<u>Enterprise Funds</u>					
County Facilities Improvement 5.95%	6/1/00		\$ 450,000		\$ 450,000
County Facilities Improvement 4.45%	6/3/99	\$ 550,000		\$ (550,000)	
Landfill Improvement 5.35%	4/1/00		650,000		650,000
Landfill Improvement 4.35%	4/2/99	<u>685,000</u>	<u> </u>	<u>(685,000)</u>	<u> </u>
Total Enterprise Fund General Obligation					
Bond Anticipation Notes		<u>\$1,235,000</u>	<u>\$1,100,000</u>	<u>\$(1,235,000)</u>	<u>\$1,100,000</u>
<u>Capital Projects Funds</u>					
Misamore Ditch 5.35%	3/31/00		\$50,000		\$50,000
Misamore Ditch 4.35%	4/1/99	\$ 125,000		\$ (125,000)	
Grelton Waterline Extension 5.35%	3/31/00		45,000		45,000
Grelton Waterline Extension 4.35%	4/1/99	<u>45,000</u>	<u> </u>	<u>(45,000)</u>	<u> </u>
Total Capital Projects Funds General Obligation					
Bond Anticipation Notes		<u>\$ 170,000</u>	<u>\$ 95,000</u>	<u>\$(170,000)</u>	<u>\$ 95,000</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 13 - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The County maintains four separate enterprise funds to account for the operations of a landfill, the Monroe Township landfill, the Hahn Center, and the County's radio tower. Segment information as of and for the year ended December 31, 2000 follows:

	<u>Landfill</u>	<u>Monroe Township</u>	<u>Hahn Center</u>	<u>Tower Fund</u>	<u>Totals</u>
Operating Revenue	\$1,136,601	\$7,248	\$73,808	\$22,980	\$1,240,637
Operating Expenses before Depreciation	1,377,844	6,782	45,451	4,599	1,434,676
Depreciation Expense	36,325				36,325
Operating Income/(Loss)	(277,568)	466	28,357	18,381	(230,364)
Net Income (Loss) before Operating Transfer	(286,355)	466	5,287	18,381	(262,221)
Transfer In	60,000		95,000		155,000
Fixed Assets:					
Additions	33,097				33,097
Deletions	(44,000)				(44,000)
Net Working Capital	536,811	923	(418,376)	104,450	223,808
Total Assets	1,927,229	1,371	45,808	104,610	2,079,018
Notes Payable	650,000		450,000		1,100,000
Total Equity (Accumulated Deficit)	(355,154)	923	(418,376)	104,450	(668,157)
Encumbrances at December 31, 2000	185,830	560	6,244	161	192,795

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate for 2000 was 8.5 percent for employees other than law enforcement. Law enforcement employees contribute 9.0 percent of covered salary. The PERS Retirement Board instituted a temporary employer rate rollback for calendar year 2000. The rate rollback was 20% for local government subdivisions and 6% for law enforcement divisions. The employer contribution rate for employees other than law enforcement was 10.84 percent of covered payroll; 6.54 percent was the portion used to fund pension obligations for 2000. The employer contribution rate for law enforcement employees was 15.70 percent of covered payroll; 11.40 percent was the portion used to fund pension obligations for 2000. The County's contributions for pension obligations to PERS for the years ended December 31, 2000, 1999, and 1998 were \$717,923, \$925,874 and \$911,652, respectively; 80 percent has been contributed for 2000 and 100 percent for 1999 and 1998. \$144,973, representing the unpaid contribution for 2000, is recorded as a liability within the respective funds.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Certified teachers employed by the school for the Mental Retarded/Developmentally Disabled 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 benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the County is required to contribute 14 percent; 6 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 for pension obligations to STRS for the years ended December 31, 2000, 1999, and 1998 were \$73,021, \$87,792, and \$85,234, respectively; 100 percent has been contributed for each of the past three years.

NOTE 15 - POSTEMPLOYMENT BENEFITS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Public Employees Retirement System of Ohio provides post retirement health care coverage to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority for employer contributions.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

The employer contribution rate was rolled back for the year 2000. The 2000 employer contribution rate for local government employers was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care. The law enforcement employer rate for 2000 was 15.70% of covered payroll; 4.30% was the portion used to fund health care.

The Ohio Revised Code provides the statutory authority requiring public employers to fund postretirement health care through their contributions to PERS. The County's contribution actually made to fund post employment benefits was \$276,322.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health care, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely.

As of December 31, 1999 (the latest information available), the unaudited estimated net assets available for future OPEB payments were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,473.6 million and \$1,668.1 million, respectively, at December 31, 1999 (the latest information available). The number of benefit recipients eligible for OPEB at December 31, 1999 (the latest information available) was 401,339.

During 2000, the PERS Retirement Board enacted a temporary employer contribution rate rollback for calendar year 2000. The decision to rollback rates was based upon a December 31, 1998 actuarial study, which indicated that actuarial assets exceeded actuarial liabilities. The temporary rate rollback was 20% for both the state and local government divisions and 6% for law enforcement divisions. The Board reallocated employer contributions from 4.20% to 4.30% at the beginning of the year to improve health care financing. The proportion of contributions dedicated to funding OPEB increased during the year for those reasons.

Additional information on the PERS, including historical trend information showing the progress in accumulating sufficient assets to pay benefits when due is available in the PERS December 31, 2000, Comprehensive Annual Financial Report.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

B. STATE TEACHERS RETIREMENT SYSTEM

Comprehensive health care benefits are provided to retired teachers and their dependents through the State Teachers Retirement System (STRS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS.

Benefits are funded on a pay-as-you-go basis. All benefit recipients are required to pay a portion of their health care cost in the form of a monthly premium. Under Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the County, this amount equaled \$44,617 during 2000. Eligible benefit recipients totaled 99,011. For the year ended June 30, 2000, net health care costs paid by STRS were \$283.14 million.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

The County's budgetary process is based upon accounting for transactions on the cash basis. The differences between the cash basis (budget basis) and the modified accrual basis (GAAP basis) are that revenues are recorded when actually received (budget) as opposed to when susceptible to accrual (GAAP) and the expenditures are recorded when paid (budget) as opposed to when incurred (GAAP). Additionally, the County reflects outstanding encumbrances as expenditures on the budgetary basis of accounting. Adjustments necessary to convert the results of operations at the end of the year on the budget basis to the GAAP basis are as follows:

EXCESS OF REVENUES AND OTHER FINANCING
SOURCES OVER/(UNDER) EXPENDITURES
AND OTHER FINANCING USES

	Governmental Funds			
	General	Special Revenue	Debt Service	Capital Projects
Budget Basis	\$ 131,604	\$ 952,025	\$196,725	\$(121,269)
Net adjustment for revenue accruals	166,963	(485,111)	(966)	(97,146)
Net adjustment for expenditure accruals	(529,067)	302,024	(18,400)	193,287
Net adjustment for other financing sources/(uses) accruals	154,598	27,395	18,398	(16,476)
Encumbrances (budget basis)	<u>135,267</u>	<u>313,199</u>	<u> </u>	<u>41,079</u>
GAAP Basis	<u>\$ 59,365</u>	<u>\$1,109,532</u>	<u>\$195,757</u>	<u>\$ (525)</u>

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 17 - CONTINGENT LIABILITIES

A. GRANTS

The County receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. 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, 2000.

B. LITIGATION

The County is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations. The County's management and legal counsel is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material adverse effect on the financial condition of the County.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 18 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,473,185 as of December 31, 2000, which is based on 57% usage (filled) of the landfill. It is estimated that an additional \$1,118,821 will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2012). The estimated total current cost of \$2,592,006 for landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2000. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2000, cash and cash equivalents of \$1,128,902 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 19 - PUBLIC ENTITY RISK POOL

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

Each member county has one vote on all matters requiring a vote, to be cast by a designated representative. The affairs of the Corporation 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.

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2000 was \$117,671.

NOTE 20 - CONDUIT DEBT OBLIGATIONS

To provide funds to finance the cost of acquiring, constructing, equipping, and furnishing a 40 unit assisted living facility at the Lutheran Orphans' and Old Folks Home Society in Napoleon, Ohio, the County has issued health care facility revenue bonds, series 1999. These bonds are special limited obligations of the County, payable solely from and secured by a trust estate including payments under the GNMA securities, the special funds and pledged receipts. The bonds do not constitute a debt or pledge of the faith and credit of the County or the State, accordingly have not been reported in the accompanying financial statements.

At December 31, 2000, health care facility revenue bonds outstanding aggregated \$3,370,000.

HENRY COUNTY, OHIO

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2000

NOTE 21 - OPERATING LEASE

The County leases a building under a noncancellable operating lease to Henry County Hospital, Incorporated. The hospital building is included in the General Fixed Asset Account of the County as a \$8,911,353 building asset. The County has obtained bonded debt for hospital improvements. The Henry County Hospital, Incorporated must make lease payments until the bonds are paid off in 2019. Any interest earned on the lease payments are used to pay the bonds and thus reduces the amount of the lease payments required by the Henry County Hospital, Incorporated.

The following is a schedule by years of the minimum future lease payments:

<u>Year Ending</u> <u>December 31</u>	
2001	\$ 290,500
2002	289,600
2003	290,350
Later years	<u>2,781,750</u>
Total minimum future lease payments	<u><u>\$3,652,200</u></u>

**HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL RECEIPTS	OTHER FEDERAL RECEIPTS	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE <u>OHIO DEPARTMENT OF AGRICULTURE:</u>						
Nutrition Grant Cluster:						
(A) (D) National School Lunch Program	10.555	065946-03-PU-01	\$0	\$0	\$9,381	\$0
(B) (D) Food Distribution	10.550		0	0	0	4,927
Total U.S. Department of Agriculture and Nutrition Grant Cluster			<u>0</u>	<u>0</u>	<u>9,381</u>	<u>4,927</u>
U. S. DEPARTMENT OF JUSTICE PASSED THROUGH THE <u>OFFICE OF CRIMINAL JUSTICE SERVICES:</u>						
Supervised Visitation	16.579	99-DG-D02-7003	45,945		31,222	
Total U.S. Department of Justice			<u>45,945</u>		<u>31,222</u>	
UNITED STATES DEPARTMENT OF EDUCATION PASSED THROUGH THE <u>OHIO DEPARTMENT OF EDUCATION:</u>						
Special Education Cluster:						
(E) Special Education - Grants to States (Title VI-B)	84.027	066365-6B-SF-01P	60,931		24,846	
(E) Special Education - Grants to States (Title VI-B)	84.027	066365-6B-SF-00P	55,031		33,625	
Total Title VI-B			<u>115,962</u>		<u>58,471</u>	
(E) Special Education Preschool Grants	84.173	066365-PG-S1-01P	45,979		14,241	
(E) Special Education Preschool Grants	84.173	066365-PG-S1-00P	46,177		27,940	
Total Special Education Preschool Grants			<u>92,156</u>		<u>42,181</u>	
Total Special Education Cluster and Ohio Department of Education			<u>208,118</u>		<u>100,652</u>	
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE <u>OHIO DEPARTMENT OF EMERGENCY MANAGEMENT MANAGEMENT DISASTER ASSISTANCE:</u>						
Emergency Management - State and Local Assistance	83.554	EMC-01-PA-1333	0		6,235	
Emergency Management - State and Local Assistance	83.554	EMC-00-PA-1333	0		12,220	
Total Emergency Management - State and Local Assistance and U.S. Department of Federal Emergency			<u>0</u>		<u>18,455</u>	
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE <u>AREA OFFICE OF AGING:</u>						
Special Programs for the Aging - Title III Part B	93.044		36,734		36,330	
Special Programs for the Aging - Title III Part F	93.043		8,566		8,172	
Total Area Office of Aging			<u>45,300</u>		<u>44,502</u>	
PASSED THROUGH THE <u>OHIO DEPARTMENT OF HEALTH</u>						
Social Services Block Grant (Title XX)	93.667		0		19,161	
PASSED THROUGH THE <u>OHIO DEPARTMENT OF MENTAL RETARDATION AND DEVELOPMENTAL DISABILITIES</u>						
Medical Assistance Program (Medicaid: Title XIX)	93.778		0		297,699	
Total Ohio Department of Health and Human Services			<u>45,300</u>		<u>361,362</u>	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE <u>OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE</u>						
Home Investment Partnerships Program	14.239	B-C-98-032-2	440,000		235,437	
Community Development Block Grant	14.228	B-F-98-032-1	126,000		32,911	
Community Development Block Grant	14.228	B-F-99-032-1	113,000		68,373	
Community Development Block Grant	14.228	B-C-98-032-1	260,000		111,396	
Total Community Development Block Grant			<u>499,000</u>		<u>212,680</u>	
Total Department of Housing and Urban Development			<u>939,000</u>		<u>448,117</u>	
Total Federal Financial Assistance			<u>\$1,238,363</u>	<u>\$0</u>	<u>\$950,734</u>	<u>\$4,927</u>

- (A) The Food Distribution Program is a noncash, federal grant.
 (B) Commingled with state and local revenue from sales of lunches; assumed expenditures were made on a first-in, first-out basis.
 (C) This schedule was prepared on a cash basis.
 (D) Included as part of "Nutrition Grant Cluster" in determining major programs.
 (E) Included as part of the "Special Education Grant Cluster" in determining major programs.

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Commissioners
Henry County Auditor
660 North Perry Street
Napoleon, Ohio 43545

We have audited the general purpose financial statements of Henry County as of and for the year ended December 31, 2000, and have issued our report thereon dated June 20, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 2000-HC-001 and 2000-HC-002. We also noted certain immaterial instances of noncompliance that we have reported to the management of Henry County in a separate letter dated June 20, 2001.

Board of Commissioners
Henry County

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of finding as items 2000-HC-001 and 2000-HC-002.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not material weaknesses. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report that we have reported to the management of Henry County in a separate letter dated June 20, 2001.

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

Trimble, Julian & Grube, Inc.
June 20, 2001

TRIMBLE, JULIAN & GRUBE, INC.

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Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With *OMB CIRCULAR A-133*

Board of Commissioners
Henry County
660 North Perry Street
Napoleon, Ohio 43545

Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended December 31, 2000. Henry County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Henry County's management. Our responsibility is to express an opinion on Henry County's compliance based on our audit.

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

Board of Commissioners
Henry County

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2000-HC-003, 2000-HC-004 and 2000-HC-005.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Henry County's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings as items 2000-HC-003, 2000-HC-004 and 2000-HC-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over federal compliance that do not require inclusion in this report that we have reported to management of Henry County in a separate letter dated January 13, 2000.

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

Trimble, Julian & Grube, Inc.
June 20, 2001

**HENRY COUNTY
DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS
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<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iii)</i>	<i>Was there any reported non-compliance at the financial statement level (GAGAS)?</i>	Yes
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weakness conditions reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any other reportable internal control weakness conditions reported for major federal programs?</i>	Yes
<i>(d)(1)(v)</i>	<i>Type of Major Programs' Compliance Opinion</i>	Unqualified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under § .510?</i>	Yes

**HENRY COUNTY
DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

1. SUMMARY OF AUDITOR'S RESULTS (Continued)

<i>(d)(1)(vii)</i>	<i>Major Programs:</i>	Home Improvement Partnerships Program, CFDA #14.239; Community Development Block Grant (Entitlement Grants), CFDA #14.228
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	Yes

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

Finding Number	2000-HC-001
----------------	-------------

Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

It was noted during the audit that the County had appropriations exceeding resources in the following funds:

<u>Fund Type/Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>SPECIAL REVENUE FUND:</u>			
Computer Resource	\$ 50,427	\$151,350	\$100,923
Daughter/Son Sexual Abuse Grant	86,003	91,588	5,585
Litter Control	58,433	91,111	32,678
Mediation	0	106,376	106,376
Block Grant	671,374	676,063	4,689
Civil Defense	59,813	60,388	575
 <u>CAPITAL PROJECTS FUND:</u>			
Grelton Waterline Extension	16,290	16,988	698

With appropriations exceeding estimated resources, the County is spending monies that are not lawfully appropriated for those purposes and thus could result in a fund deficit.

**HENRY COUNTY
DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

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

Finding Number	2000-HC-001 - (Continued)
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We recommend that the County comply with the Ohio Revised Code and Auditor of State Bulletin 97-010 by keeping more accurate appropriations versus estimated resources records and amending the budget prior to year end. If it is determined that estimated revenues will be greater than initially anticipated, the County should amend its official estimate in order to provide for any additional appropriations; however, appropriations should not exceed estimated resources.

Finding Number	2000-HC-002
----------------	-------------

Ohio Revised Code Section 5705.41(B) requires that no subdivision is to expend monies unless it has been appropriated.

It was noted during the audit that the County had expenditures exceeding appropriations in the following funds:

<u>Fund Type/Fund</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
<u>DEBT SERVICE FUNDS:</u>			
Courthouse Improvement	\$533,470	\$652,919	\$119,449
Hospital Reserve	22,120	20,172	1,948

Disclosure is presented at the fund level, rather than at the department and item level within the fund due to the practicality of determining these values.

With expenditures exceeding appropriations, the County is unlawfully expending monies that have not been appropriated.

We recommend that the County comply with the Ohio Revised Code and the Auditor of State Bulletin 97-010 by monitoring their expenditures so they do not exceed lawful appropriations and amending the budget prior to year end. This may be achieved by monitoring the budget more closely on a continual basis.

**HENRY COUNTY
DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133 § .505**

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2000-HC-003, 2000-HC-004, 2000-HC-005
CFDA Title and Number	Home Improvement Partnership Program CFDA #14.239
Federal Award Number/Year	B-C-98-032-2
Federal Agency	U.S. Department of Housing and Urban Development
Pass-Through Agency	Ohio Department of Emergency Management Disaster Assistance

Finding 2000-HC-003 - Procurement and Suspension and Debarment

Recipients of federal awards are required to procure contracts from parties who are complying with federal standards.

There were four (4) instances whereby a contractor was awarded a contract without checking the "Parties Excluded from Federal Procurement Programs by State" report, in order to determine whether the contractor has been debarred or suspended.

The County may receive substandard services, equipment, etc. by contracting with parties excluded from Federal Procurement Programs.

We recommend that the County review grant provisions and verify that contractors have not been excluded from the Federal Procurement Programs by State. In addition, the County should contact its granting agency for guidance when questionable situations arise.

**HENRY COUNTY
DECEMBER 31, 2000**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
*OMB CIRCULAR A-133 § .505***

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

Finding 2000-HC-004 - Rehabilitation Program

Eligibility requirements for the Owner-Occupied, Single-Family Rehabilitation Program include that applicants scoring below 50 points do not qualify for assistance.

There was an instance whereby the client received federal assistance in the amount of \$13,420 based on a score of 45 from the priority rating guide.

The County is releasing federal funding to applicants who do not qualify for the program.

We recommend that the County review grant provisions and verify that all potential clients are eligible prior to granting funding to them. In addition, the County should contact its granting agency for guidance when questionable situations arise.

Finding 2000-HC-005 - Lead Abatement Program

The application for “Lead Based Paint Reduction & Evaluation” includes the requirement that a mortgage be obtained when lead reduction activity is performed for clients.

There were two (2) instances whereby, lead reduction activity was performed for a client, and no mortgage was obtained. The guideline established in the Application for “Lead Based Paint Reduction & Evaluation”, indicates that “The Henry County Lead-Based Paint Evaluation and Reduction Activity program will use two different financing mechanisms for the two activities, 5-year deferred loans and 10-year direct loans with partial deferment”.

The County performed services for clients without complying with the requirement that mortgages be obtained.

We recommend that the County review grant provisions in the program’s application. In addition, the County should contact its granting agency for guidance with the requirements of the program.

**HENRY COUNTY
DECEMBER 31, 2000**

**STATUS OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133 § .315(b)**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
1999-60135-001	Ohio 5705.41 (D) improper fiscal officer certification of certain expenditures	Not Corrected	Not Correct. The County Auditor has begun using "Now and Then" certificates.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
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HENRY COUNTY FINANCIAL CONDITION

HENRY COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JULY 26, 2001