

**HENRY COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS***

*FOR THE YEAR ENDED  
DECEMBER 31, 2008*

**HONORABLE KEVIN NYE, AUDITOR**





Mary Taylor, CPA  
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of Henry County prepared by Julian & Grube, Inc., for the audit period January 1, 2008 through December 31, 2008. 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.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

July 10, 2009

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**HENRY COUNTY**

**BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise Henry County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Henry County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General, Country View Haven, Motor Vehicle and Gas Tax, County Board of MRDD and Public Assistance funds, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2009 on our consideration of Henry County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report  
Board of Commissioners  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Henry County's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Julian & Grube, Inc.".

Julian & Grube, Inc.  
June 24, 2009



## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The management's discussion and analysis of Henry County's (the "County") financial performance provides an overall review of the County's financial activities for the year ended December 31, 2008. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the County's financial performance.

#### Financial Highlights

Key financial highlights for 2008 are as follows:

- The total net assets of the County increased \$2,159,592. Net assets of governmental activities increased \$2,194,847, which represents a 4.25% increase from 2007. Net assets of business-type activities decreased \$35,255, which represents a 271.71% decrease from 2007.
- General revenues accounted for \$12,027,069 or 42.06% of total governmental activities revenue. Program specific revenues accounted for \$16,567,503 or 57.94% of total governmental activities revenue.
- The County had \$26,399,725 in expenses related to governmental activities. \$16,567,503 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,027,069 were adequate to provide for these programs.
- The County's major governmental funds are the general fund, country view haven fund, motor vehicle and gas tax fund, county board of mental retardation and developmentally disabled (MRDD) fund, public assistance fund and courthouse project fund. The general fund, the County's largest major fund, had revenues and other financing sources of \$8,167,348 in 2008, an increase of \$148,620 or 1.86% from 2007 revenues. The general fund had expenditures and other financing uses of \$8,096,341 in 2008, an increase of \$1,359,995 or 20.19% from 2007. The increase in revenues, due to an increase in sales tax collections in 2008, and increase in expenditures, due to an increase in the cost of purchased services, resulted in the general fund balance increase of \$71,007 or 1.56% from 2007 to 2008.
- The country view haven fund, a County major fund, had revenues of \$1,681,279 in 2008. The country view haven fund had expenditures of \$1,576,863 in 2008. The country view haven fund balance increased \$104,416 or 8.09% from 2007 to 2008.
- The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,281,124 in 2008. The motor vehicle and gas tax fund had expenditures of \$3,667,527 in 2008. The motor vehicle and gas tax fund balance increased \$613,597 or 51.20% from 2007 to 2008.
- The county board of MRDD fund, a County major fund, had revenues of \$6,979,927 in 2008. The county board of MRDD fund had expenditures of \$6,565,814 in 2008. The county board of MRDD fund balance increased \$414,113 or 15.94% from 2007 to 2008.
- The public assistance fund, a County major fund, had revenues of \$2,068,772 in 2008. The public assistance fund had expenditures of \$2,059,601 in 2008. The public assistance fund balance increased \$9,171 or 1.80% from 2007 to 2008.
- The courthouse project fund, a County major fund, had revenues and other financing sources of \$3,140,561 in 2008, including \$1,955,000 for the issuance of notes. The courthouse project fund had expenditures of \$2,963,780 in 2008. The courthouse project fund balance increased \$176,781 or 67.02% from 2007 to 2008.
- Net assets for the business-type activities, which include the sanitary landfill, tower, Hahn Center and Monroe Township landfill fees enterprise funds, decreased in 2008 by \$35,255 or 271.71%.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **Using these Basic Financial Statements (BFS)**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the County as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net assets and statement of activities provide information about the activities of the whole County, presenting both an aggregate view of the County's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the County's most significant funds with all other nonmajor funds presented in total in one column. In the case of the County, there are six major governmental funds. The general fund is the largest major fund.

#### **Reporting the County as a Whole**

##### *Statement of Net Assets and the Statement of Activities*

The statement of net assets and the statement of activities answer the question, "How did we do financially during 2008?" These statements include all assets, liabilities, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the County's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the County as a whole, the financial position of the County has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the County's property tax base, current property tax laws, facility conditions and other factors.

In the statement of net assets and the statement of activities, the County is divided into two distinct kinds of activities:

Governmental activities - Most of the County's programs and services are reported here including human services, health, public safety, public works and general government. These services are funded primarily by taxes and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

The County's statement of net assets and statement of activities can be found on pages 16-18 of this report.

#### **Reporting the County's Most Significant Funds**

##### *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

Fund financial reports provide detailed information about the County's major funds. The County uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the County's most significant funds. The County's major governmental funds are the general fund, country view haven fund, motor vehicle and gas tax fund, county board of mental retardation and developmentally disabled (MRDD) fund, public assistance fund and courthouse project fund. The analysis of the County's major governmental and proprietary funds begins on page 10.

#### ***Governmental Funds***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the major funds, which were identified earlier. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental financial statements can be found on pages 19-29 of this report.

#### ***Proprietary Funds***

The County maintains proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its sanitary landfill, tower, Hahn Center and Monroe Township landfill fees operations. The sanitary landfill fund is the County's only major enterprise fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County has no internal service funds. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statement can be found on page 33 of this report.

#### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 34-68 of this report.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

#### Government-wide Financial Analysis

The statement of net assets provides the perspective of the County as a whole. The table below provides a summary of the County's net assets at December 31, 2008 and December 31, 2007.

	Net Assets					
	Governmental Activities 2008	Business-type Activities 2008	Governmental Activities 2007	Business-type Activities 2007	2008 Total	2007 Total
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>	<u>Total</u>	<u>Total</u>
<b>Assets:</b>						
Current and other assets	\$ 27,837,269	\$ 2,253,257	\$ 26,207,227	\$ 2,125,998	\$ 30,090,526	\$ 28,333,225
Capital assets, net	<u>36,533,316</u>	<u>409,430</u>	<u>36,891,274</u>	<u>431,193</u>	<u>36,942,746</u>	<u>37,322,467</u>
Total assets	<u>64,370,585</u>	<u>2,662,687</u>	<u>63,098,501</u>	<u>2,557,191</u>	<u>67,033,272</u>	<u>65,655,692</u>
<b>Liabilities:</b>						
Long-term liabilities outstanding	4,390,804	49,825	4,934,744	2,525,081	4,440,629	7,459,825
Other liabilities	<u>6,122,545</u>	<u>2,661,092</u>	<u>6,501,368</u>	<u>45,085</u>	<u>8,783,637</u>	<u>6,546,453</u>
Total liabilities	<u>10,513,349</u>	<u>2,710,917</u>	<u>11,436,112</u>	<u>2,570,166</u>	<u>13,224,266</u>	<u>14,006,278</u>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	33,835,862	409,430	33,492,517	431,193	34,245,292	33,923,710
Restricted	15,462,716	-	13,281,044	-	15,462,716	13,281,044
Unrestricted (deficit)	<u>4,558,658</u>	<u>(457,660)</u>	<u>4,888,828</u>	<u>(444,168)</u>	<u>4,100,998</u>	<u>4,444,660</u>
Total net assets (deficit)	<u>\$ 53,857,236</u>	<u>\$ (48,230)</u>	<u>\$ 51,662,389</u>	<u>\$ (12,975)</u>	<u>\$ 53,809,006</u>	<u>\$ 51,649,414</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the County's assets exceeded liabilities by \$53,809,006. This amounts to \$53,857,236 in governmental activities and a deficit of \$48,230 in business-type activities.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 55.11% of total governmental and business-type assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2008, were \$34,245,292. These capital assets are used to provide services to citizens and are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities. Capital assets are discussed further on page 13.

As of December 31, 2008, the County is able to report positive balances in all categories of net assets for its governmental activities.

A portion of the County's governmental activities net assets, \$15,462,716 or 28.71%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental activities unrestricted net assets is \$4,558,658.

**HENRY COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

The table below shows the changes in net assets for governmental and business-type activities for 2008 and 2007.

	<b>Change in Net Assets</b>					
	Governmental	Business-type	Governmental	Business-type	2008	2007
	Activities	Activities	Activities	Activities	Total	Total
	2008	2008	2007	2007		
<b>Revenues:</b>						
Program revenues:						
Charges for services and sales	\$ 3,111,884	\$ 923,642	\$ 2,902,730	\$ 1,076,217	\$ 4,035,526	\$ 3,978,947
Operating grants and contributions	12,604,611	-	11,337,980	-	12,604,611	11,337,980
Capital grants and contributions	851,008	-	382,250	-	851,008	382,250
<b>Total program revenues</b>	<b>16,567,503</b>	<b>923,642</b>	<b>14,622,960</b>	<b>1,076,217</b>	<b>17,491,145</b>	<b>15,699,177</b>
General revenues:						
Property taxes	5,242,132	-	5,599,788	-	5,242,132	5,599,788
Sales tax	3,309,826	-	3,355,658	-	3,309,826	3,355,658
Unrestricted grants	2,511,295	-	1,256,145	-	2,511,295	1,256,145
Investment earnings	482,360	44,854	710,503	69,348	527,214	779,851
Miscellaneous	481,456	29,976	1,093,459	32,339	511,432	1,125,798
<b>Total general revenues</b>	<b>12,027,069</b>	<b>74,830</b>	<b>12,015,553</b>	<b>101,687</b>	<b>12,101,899</b>	<b>12,117,240</b>
<b>Total revenues</b>	<b>28,594,572</b>	<b>998,472</b>	<b>26,638,513</b>	<b>1,177,904</b>	<b>29,593,044</b>	<b>27,816,417</b>
<b>Expenses:</b>						
Program expenses:						
General government	4,326,011	-	4,043,504	-	4,326,011	4,043,504
Public safety	2,909,884	-	2,249,291	-	2,909,884	2,249,291
Public works	4,297,554	-	3,933,319	-	4,297,554	3,933,319
Health	1,793,571	-	1,827,953	-	1,793,571	1,827,953
Human services	11,723,988	-	10,866,923	-	11,723,988	10,866,923
Economic development	561,708	-	367,804	-	561,708	367,804
Transportation	360,623	-	266,150	-	360,623	266,150
Intergovernmental	222,550	-	-	-	222,550	-
Other	98,538	-	691,234	-	98,538	691,234
Interest and fiscal charges	105,298	-	142,199	-	105,298	142,199
Sanitary landfill	-	911,848	-	778,321	911,848	778,321
Nonmajor enterprise funds:						
Tower fund	-	38,189	-	13,378	38,189	13,378
Hahn Center	-	77,884	-	61,977	77,884	61,977
Monroe Township landfill fees	-	5,806	-	5,975	5,806	5,975
<b>Total expenses</b>	<b>26,399,725</b>	<b>1,033,727</b>	<b>24,388,377</b>	<b>859,651</b>	<b>27,433,452</b>	<b>25,248,028</b>
Excess (deficiency) of revenues over (under) expenses	2,194,847	(35,255)	2,250,136	318,253	2,159,592	2,568,389
Special items	-	-	519,519	-	-	519,519
<b>Change in net assets</b>	<b>2,194,847</b>	<b>(35,255)</b>	<b>2,769,655</b>	<b>318,253</b>	<b>2,159,592</b>	<b>3,087,908</b>
Net assets (deficit) at beginning of year	51,662,389	(12,975)	48,892,734	(331,228)	51,649,414	48,561,506
<b>Net assets (deficit) at end of year</b>	<b>\$ 53,857,236</b>	<b>\$ (48,230)</b>	<b>\$ 51,662,389</b>	<b>\$ (12,975)</b>	<b>\$ 53,809,006</b>	<b>\$ 51,649,414</b>

Due to the phase out of tangible personal property tax, receipts from the State increased significantly during 2008.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

#### Governmental Activities

Governmental assets increased by \$2,194,847 in 2008 from 2007. This increase is due to an increase in overall revenues.

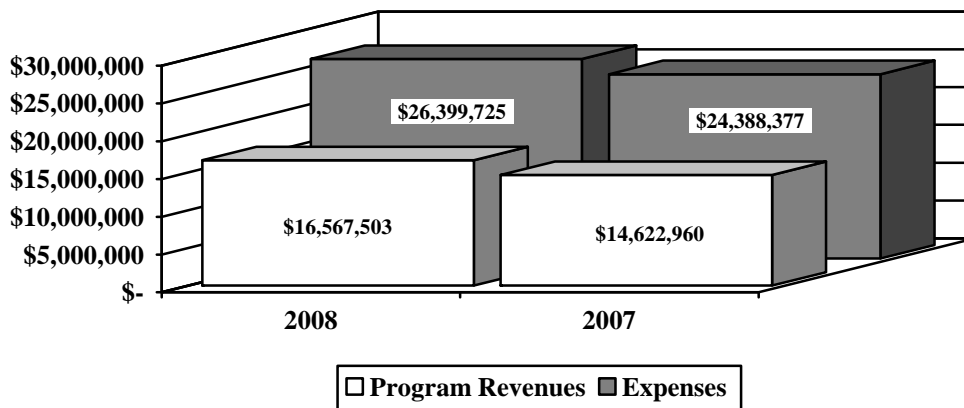
Human services, which supports the operations of the county board of MRDD fund and public assistance fund, accounts for \$11,723,988 of expenses, or 44.41% of total governmental expenses of the County. These expenses were funded by \$476,787 in charges to users of services and \$6,657,601 in operating grants in 2008. General government expenses which includes legislative and executive and judicial programs, totaled \$4,326,011 or 16.39% of total governmental expenses. General government expenses were covered by \$1,716,876 of direct charges to users in 2008.

The State and federal government contributed to the County revenues of \$12,604,611 in operating grants and contributions and \$851,008 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,657,601, or 52.82%, subsidized human services programs.

General revenues totaled \$12,027,069, and amounted to 42.06% of total revenues. These revenues primarily consist of property and sales tax revenue of \$8,551,958 or 71.11% of total general revenues in 2008. The other primary source of general revenues is grants and entitlements not restricted to specific programs of \$2,511,295.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. As can be seen in the graph below, the County is reliant upon general revenues to finance operations as program revenues are not sufficient to cover total expenses.

**Governmental Activities – Program Revenues vs. Total Expenses**



**HENRY COUNTY, OHIO**

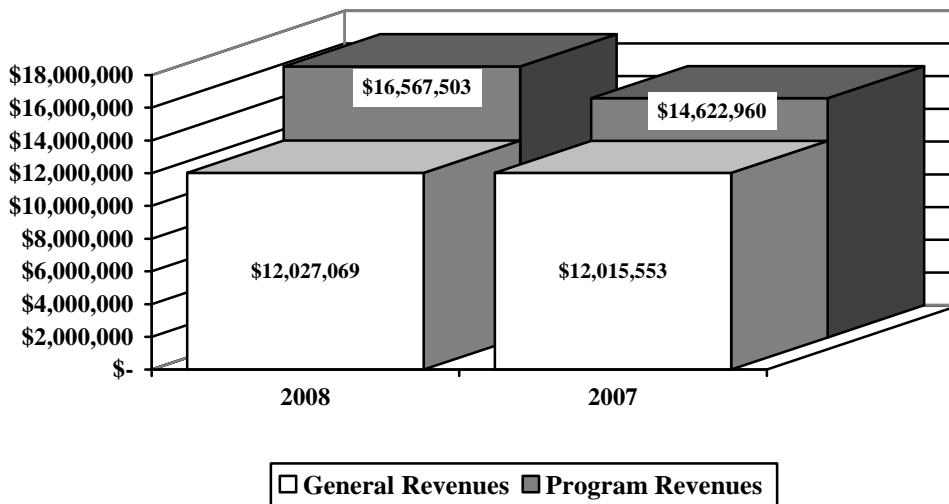
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

The following table shows, for governmental activities, the total cost of services and the net cost of services for 2008 and 2007. That is, it identifies the cost of these services supported by general revenues (such as tax revenue and unrestricted State grants and entitlements).

	<b>Governmental Activities</b>			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	2008	2008	2007	2007
<b>Program expenses:</b>				
General government	\$ 4,326,011	\$ 2,361,584	\$ 4,043,504	\$ 2,205,539
Public safety	2,909,884	2,132,196	2,249,291	1,916,907
Public works	4,297,554	(692,203)	3,933,319	(663,555)
Health	1,793,571	1,142,879	1,827,953	1,153,144
Human services	11,723,988	4,589,600	10,866,923	4,438,896
Economic development and assistance	561,708	84,011	367,804	40,966
Transportation	360,623	(212,231)	266,150	(159,913)
Intergovernmental	222,550	222,550	-	-
Other	98,538	98,538	691,234	691,234
Interest and fiscal charges	105,298	105,298	142,199	142,199
<b>Total</b>	<b>\$ 26,399,725</b>	<b>\$ 9,832,222</b>	<b>\$ 24,388,377</b>	<b>\$ 9,765,417</b>

The dependence upon general revenues for governmental activities is apparent, with 37.24% and 40.05% of expenses supported through taxes and other general revenues during 2008 and 2007, respectively. The graph below illustrates the County's reliance upon general revenues.

**Governmental Activities – General and Program Revenues**



**HENRY COUNTY, OHIO**

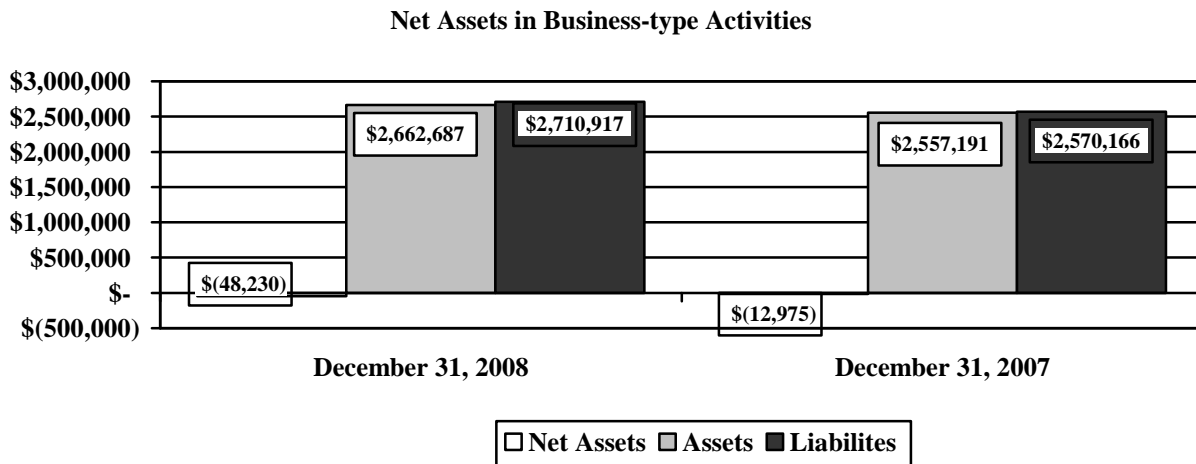
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**Business-type Activities**

The sanitary landfill, tower, Hahn Center and Monroe Township landfill fees are the County's enterprise funds. These programs had revenues of \$923,642, general revenues of \$74,830 and expenses of \$1,033,727 for 2008.

The business-type activities net assets decreased \$35,255 or 271.71% during 2008.

The following graph illustrates the assets, liabilities and net assets of the County's business-type activities at December 31, 2008 and December 31, 2007.



**Financial Analysis of the Government's Funds**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at year-end.

The County's governmental funds (as presented on the balance sheet on pages 19-20) reported a combined fund balance of \$16,881,892, which is \$1,647,301 greater than last year's total of \$15,234,591. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2008 and December 31, 2007 for all major and nonmajor governmental funds.



## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Fund Balance</u> <u>December 31, 2008</u>	<u>Fund Balance</u> <u>December 31, 2007</u>	<u>Increase/</u> <u>(Decrease)</u>
<b>Major funds:</b>			
General	\$ 4,637,456	\$ 4,566,449	\$ 71,007
Country view haven fund	1,396,292	1,291,876	104,416
Motor vehicle and gas tax	1,811,956	1,198,359	613,597
County board of MRDD	3,012,918	2,598,805	414,113
Public assistance	518,293	509,122	9,171
Courthouse project	440,571	263,790	176,781
Other nonmajor governmental funds	<u>5,064,406</u>	<u>4,806,190</u>	<u>258,216</u>
Total	<u>\$ 16,881,892</u>	<u>\$ 15,234,591</u>	<u>\$ 1,647,301</u>

#### **General Fund**

The general fund, the County's largest major fund, had revenues and other financing sources of \$8,167,348 in 2008, which represents a \$148,620 increase from 2007 revenues. The general fund had expenditures and other financing uses of \$8,096,341 in 2008, an increase of \$1,359,995 or 20.19% from 2007. The increased revenues outpacing increased expenditures contributed to the general fund balance increase of \$71,007 or 1.56% from 2007 to 2008.

The table that follows assists in illustrating the revenues of the general fund during 2008.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Revenues:</b>			
Taxes	\$ 5,400,452	\$ 5,292,637	2.04 %
Charges for services	772,598	851,197	(9.23) %
Licenses and permits	4,445	1,933	129.95 %
Fines and forfeitures	71,579	74,612	(4.07) %
Intergovernmental	1,256,203	917,330	36.94 %
Investment income	482,162	710,503	(32.14) %
Other	<u>175,057</u>	<u>170,516</u>	2.66 %
Total	<u>\$ 8,162,496</u>	<u>\$ 8,018,728</u>	1.79 %

Tax revenue represents 66.17% of all general fund revenue. Tax revenue increased by 2.04% over prior year, primarily due to an increase in sales tax revenue collections. The increase in intergovernmental revenue was primarily due to the increase in the tangible personal property tax reimbursement received from the State under House Bill 66. The increase in other revenue is due to an increase in the amount of rental income received during 2008. Charges for services revenue decreased in 2008 primarily due to a decrease in auditor and treasurer fees received during the year. The decrease in investment income was due to decreased interest rates during 2008. All other revenue remained comparable to 2007.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

The table that follows assists in illustrating the expenditures of the general fund during 2008.

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<b>Expenditures:</b>			
Current:			
General government			
Legislative and executive	\$ 1,845,436	\$ 1,947,336	(5.23) %
Judicial	1,211,982	903,078	34.21 %
Public safety	2,378,716	2,081,735	14.27 %
Public works	149,666	124,429	20.28 %
Health	57,185	54,847	4.26 %
Human services	290,476	306,007	(5.08) %
Economic development and assistance	112,616	470	23,860.85 %
Intergovernmental	222,550	-	100.00 %
Other	82,848	670,899	(87.65) %
Capital outlay	13,515	13,515	- %
Debt service:			
Principal retirement	<u>111,898</u>	<u>-</u>	100.00 %
<b>Total</b>	<u>\$ 6,476,888</u>	<u>\$ 6,102,316</u>	6.14 %

Expenditures have increased by 6.14% over 2007 for the County. The significant areas of increased expenditures are judicial, public safety, economic development and assistance and intergovernmental. The increases in these areas can be attributed to a reclassification of cash from the other revenue line item to these various expenditures in order to more accurately describe the cash outflows during 2008. They can also be explained by slight increases in the cost of purchased services. The increase in principal retirement is due to an OWDA loan that was paid off during 2008.

#### ***Country View Haven Fund***

The country view haven fund, a County major fund, had revenues of \$1,681,279 in 2008. The country view haven fund had expenditures of \$1,576,863 in 2008. The country view haven fund balance increased \$104,416 or 8.09% from 2007 to 2008.

#### ***Motor Vehicle and Gas Tax Fund***

The motor vehicle and gas tax fund, a County major fund, had revenues of \$4,281,124 in 2008. The motor vehicle and gas tax fund had expenditures of \$3,667,527 in 2008. The motor vehicle and gas tax fund balance increased \$613,597 or 51.20% from 2007 to 2008.

#### ***County Board of Mental Retardation and Developmental Disabled (MRDD) Fund***

The county board of MRDD fund, a County major fund, had revenues of \$6,979,927 in 2008. The county board of MRDD fund had expenditures of \$6,565,814 in 2008. The county board of MRDD fund balance increased \$414,113 or 16.94% from 2007 to 2008.

#### ***Public Assistance Fund***

The public assistance fund, a County major fund, had revenues of \$2,068,772 in 2008. The public assistance fund had expenditures of \$2,059,601 in 2008. The public assistance fund balance increased \$9,171 or 1.80% from 2007 to 2008.

## HENRY COUNTY, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008

#### *Courthouse Project Fund*

The courthouse project fund, a County major fund, had revenues and other financing sources of \$3,140,561 in 2008, including \$1,955,000 for the issuance of notes. The courthouse project fund had expenditures of \$2,963,780 in 2008. The courthouse project fund balance increased \$176,781 or 67.02% from 2007 to 2008.

#### *Budgeting Highlights – General Fund*

The County's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the County's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the County's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

In the general fund, there were no significant changes between the original and final budget. Original budgeted revenues and other financing sources were \$8,000,683. Actual revenues and other financing sources of \$8,332,723 were more than final budgeted revenues and other financing sources of \$8,154,166 by \$178,557. Original budgeted expenditures and other financing uses were \$9,151,364. Actual expenditures and other financing uses of \$8,291,060 were less than final budgeted expenditures and other financing uses of \$9,298,385 by \$1,007,325. Actual expenditures and other financing uses being lower than final budgeted expenditures and other financing uses are a result of the County's conservative budgeting practices and cuts made to decrease spending during 2008.

#### *Proprietary Funds*

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. Activity within the County's major fund is described below.

#### *Sanitary Landfill Fund*

The sanitary landfill fund, a major proprietary fund, had operating revenues of \$812,818 in 2008, a decrease of \$168,033 or 17.13% from 2007 revenues. The sanitary landfill fund had operating expenses of \$911,848 in 2008, an increase of \$133,527 or 17.16% from 2007. The net change in operating revenues and expenses contributed to the decrease in net assets of \$54,176 during 2008.

#### **Capital Assets and Debt Administration**

##### *Capital Assets*

At the end of 2008, the County had \$36,942,746 (net of accumulated depreciation) invested in land, buildings and improvements, machinery and equipment, vehicles and infrastructure. Of this total, \$36,533,316 was reported in governmental activities and \$409,430 was reported in business-type activities. The following table shows December 31, 2008 balances compared to December 31, 2007.

**HENRY COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Capital Assets at December 31  
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 1,656,808	\$ 1,656,808	\$ 277,435	\$ 277,435	\$ 1,934,243	\$ 1,934,243
Building and improvements	11,285,046	11,553,057	11,959	13,454	11,297,005	11,566,511
Machinery and equipment	423,650	472,150	42,636	49,289	466,286	521,439
Vehicles	2,144,514	2,396,332	77,400	91,015	2,221,914	2,487,347
Infrastructure	21,023,298	20,812,927	-	-	21,023,298	20,812,927
<b>Total</b>	<b>\$ 36,533,316</b>	<b>\$ 36,891,274</b>	<b>\$ 409,430</b>	<b>\$ 431,193</b>	<b>\$ 36,942,746</b>	<b>\$ 37,322,467</b>

See Note 10 to the basic financial statements for detail on governmental activities and business-type activities capital assets.

***Debt Administration***

At December 31, 2008 the County had \$7,051,896 in general obligation bonds, special assessment bonds, revenue bonds, OWDA loans, mortgage loan, notes payable, estimated liability for landfill/post closure and compensated absences payable outstanding. Of this total \$2,948,656 is due within one year and \$4,103,240 is due in greater than one year. The following table summarizes the outstanding debt at December 31, 2008.

**Outstanding Long-Term Obligations, at Year End**

	Governmental	Business-type	Total
	Activities	Activities	
	2008	2008	2008
<b>Long-term obligations:</b>			
General obligation bonds	\$ 22,000	\$ -	\$ 22,000
Special assessment bonds	154,147	-	154,147
OWDA loans	361,679	-	361,679
Mortgage loan	64,628	-	64,628
Notes payable	2,095,000	-	2,095,000
Estimated liability for landfill closure/post closure	-	2,635,925	2,635,925
Compensated absences payable	1,693,350	25,167	1,718,517
<b>Total</b>	<b>\$ 4,390,804</b>	<b>\$ 2,661,092</b>	<b>\$ 7,051,896</b>

At December 31, 2008 the County's overall legal debt margin was \$12,205,800. See Note 13 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

## **HENRY COUNTY, OHIO**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2008**

#### **Economic Factors and Next Year's Budgets and Rates**

The following economic factors were taken into consideration in preparing the budget for 2009.

The County's unemployment rate is 8.0%, compared to the 6.5% state average and the 5.8% national average.

State funding is expected to decline over the next few years with the enactment of House Bill 66, which reduces and then eliminates the business tangible personal property tax. We are also unsure at this time whether or not the local government funds will stay intact and what if any effect the new Commercial Activity Tax (CAT) will have on the county.

These economic factors were considered in preparing the County's budget for fiscal year 2009. Budgeted revenues and other financing sources in the general fund for 2009 is \$8,509,691. With the continuation of conservative budgeting practices and the increase in the local sales tax, the County's financial position should remain stable in future years.

#### **Contacting the County's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Honorable Kevin Nye, Henry County Auditor, Courthouse, 660 N. Perry Street, P.O. Box 546, Napoleon, Ohio 43545.

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**BASIC  
FINANCIAL STATEMENTS**

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**HENRY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
DECEMBER 31, 2008

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents . . . . .	\$ 14,387,421	\$ 312,761	\$ 14,700,182
Cash in segregated accounts . . . . .	31,992	350	32,342
Receivables (net of allowances for uncollectibles):			
Sales taxes . . . . .	523,506	-	523,506
Property and other taxes . . . . .	5,199,547	-	5,199,547
Accounts. . . . .	62,728	77	62,805
Due from other governments. . . . .	5,629,698	-	5,629,698
Special assessments . . . . .	441,955	-	441,955
Accrued interest . . . . .	23,858	5,944	29,802
Loans . . . . .	1,221,132	-	1,221,132
Prepayments. . . . .	183,954	2,392	186,346
Materials and supplies inventory . . . . .	131,478	66	131,544
Restricted assets:			
Equity in pooled cash and cash equivalents. . . . .	-	1,931,667	1,931,667
Capital assets:			
Land. . . . .	1,656,808	277,435	1,934,243
Depreciable capital assets, net. . . . .	34,876,508	131,995	35,008,503
Total capital assets, net. . . . .	<u>36,533,316</u>	<u>409,430</u>	<u>36,942,746</u>
Total assets . . . . .	<u>64,370,585</u>	<u>2,662,687</u>	<u>67,033,272</u>
<b>Liabilities:</b>			
Accounts payable. . . . .	315,548	18,570	334,118
Accrued wages and benefits . . . . .	391,377	4,293	395,670
Pension obligation payable. . . . .	150,218	2,074	152,292
Due to other governments . . . . .	329,223	24,888	354,111
Deposits held and due to others . . . . .	31,822	-	31,822
Amounts to be repaid to claimants. . . . .	33,926	-	33,926
Accrued interest payable. . . . .	57,477	-	57,477
Unearned revenue. . . . .	4,812,954	-	4,812,954
Long-term liabilities:			
Due within one year . . . . .	2,944,720	3,936	2,948,656
Due in more than one year. . . . .	1,446,084	2,657,156	4,103,240
Total liabilities . . . . .	<u>10,513,349</u>	<u>2,710,917</u>	<u>13,224,266</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt. . . . .	33,835,862	409,430	34,245,292
Restricted for:			
Capital projects. . . . .	933,457	-	933,457
Debt service . . . . .	239,117	-	239,117
Public safety programs . . . . .	716,768	-	716,768
Public works projects. . . . .	3,141,340	-	3,141,340
Human services programs. . . . .	5,256,508	-	5,256,508
Health programs . . . . .	1,637,088	-	1,637,088
Economic development programs . . . . .	1,687,966	-	1,687,966
Other purposes . . . . .	1,850,472	-	1,850,472
Unrestricted (deficit) . . . . .	4,558,658	(457,660)	4,100,998
Total net assets (deficit) . . . . .	<u>\$ 53,857,236</u>	<u>\$ (48,230)</u>	<u>\$ 53,809,006</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities:</b>				
General government				
Legislative and executive . . . . .	\$ 2,941,450	\$ 1,380,697	\$ 60,947	\$ -
Judicial . . . . .	1,384,561	336,179	1,043	185,561
Public safety . . . . .	2,909,884	183,231	594,457	-
Public works . . . . .	4,297,554	79,774	4,244,536	665,447
Health . . . . .	1,793,571	649,827	865	-
Human services . . . . .	11,723,988	476,787	6,657,601	-
Economic development and assistance . . . . .	561,708	-	477,697	-
Transportation . . . . .	360,623	5,389	567,465	-
Intergovernmental . . . . .	222,550	-	-	-
Other . . . . .	98,538	-	-	-
Interest and fiscal charges . . . . .	105,298	-	-	-
<b>Total governmental activities . . . . .</b>	<b>26,399,725</b>	<b>3,111,884</b>	<b>12,604,611</b>	<b>851,008</b>
<b>Business-type activities:</b>				
Sanitary landfill . . . . .	911,848	796,145	-	-
Tower fund . . . . .	38,189	44,264	-	-
Hahn Center . . . . .	77,884	77,824	-	-
Monroe Township landfill fees . . . . .	5,806	5,409	-	-
<b>Total business-type activities . . . . .</b>	<b>1,033,727</b>	<b>923,642</b>	<b>-</b>	<b>-</b>
<b>Total primary government . . . . .</b>	<b>\$ 27,433,452</b>	<b>\$ 4,035,526</b>	<b>\$ 12,604,611</b>	<b>\$ 851,008</b>

**General revenues:**

Property taxes levied for:	
General fund . . . . .	
Human services - County Board of MRDD . . . . .	
Health - Country View Haven . . . . .	
Sales taxes . . . . .	
Grants and entitlements not restricted to specific programs . . . . .	
Investment earnings . . . . .	
Miscellaneous . . . . .	
<b>Total general revenues . . . . .</b>	
<b>Change in net assets . . . . .</b>	
<b>Net assets (deficit) at beginning of year . . . . .</b>	
<b>Net assets (deficit) at end of year . . . . .</b>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (1,499,806)	\$ -	\$ (1,499,806)
(861,778)	-	(861,778)
(2,132,196)	-	(2,132,196)
692,203	-	692,203
(1,142,879)	-	(1,142,879)
(4,589,600)	-	(4,589,600)
(84,011)	-	(84,011)
212,231	-	212,231
(222,550)	-	(222,550)
(98,538)	-	(98,538)
(105,298)	-	(105,298)
<u>(9,832,222)</u>	<u>-</u>	<u>(9,832,222)</u>
-	(115,703)	(115,703)
-	6,075	6,075
-	(60)	(60)
<u>-</u>	<u>(397)</u>	<u>(397)</u>
-	(110,085)	(110,085)
<u>(9,832,222)</u>	<u>(110,085)</u>	<u>(9,942,307)</u>
1,488,014	-	1,488,014
2,794,704	-	2,794,704
959,414	-	959,414
3,309,826	-	3,309,826
2,511,295	-	2,511,295
482,360	44,854	527,214
481,456	29,976	511,432
<u>12,027,069</u>	<u>74,830</u>	<u>12,101,899</u>
2,194,847	(35,255)	2,159,592
<u>51,662,389</u>	<u>(12,975)</u>	<u>51,649,414</u>
<u>\$ 53,857,236</u>	<u>\$ (48,230)</u>	<u>\$ 53,809,006</u>

**HENRY COUNTY, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
<b>Assets:</b>				
Equity in pooled cash and cash equivalents . . . . .	\$ 4,129,010	\$ 1,480,500	\$ 1,228,686	\$ 3,032,215
Cash in segregated accounts. . . . .	-	170	-	389
Receivables (net of allowance for uncollectibles)				
Sales taxes . . . . .	523,506	-	-	-
Property and other taxes. . . . .	1,670,352	826,073	-	2,703,122
Accounts . . . . .	15,335	-	6,502	3,250
Due from other governments . . . . .	456,941	92,597	2,227,975	598,960
Special assessments . . . . .	-	-	-	-
Accrued interest . . . . .	18,203	-	3,697	-
Loans . . . . .	-	-	-	-
Due from other funds . . . . .	1,842	-	243	3,280
Prepayments. . . . .	41,893	9,906	23,789	86,157
Materials and supplies inventory . . . . .	18,127	-	89,064	17,370
Total assets. . . . .	<u>\$ 6,875,209</u>	<u>\$ 2,409,246</u>	<u>\$ 3,579,956</u>	<u>\$ 6,444,743</u>
<b>Liabilities:</b>				
Accounts payable . . . . .	\$ 48,991	\$ 15,517	\$ 27,560	\$ 69,504
Accrued wages and benefits. . . . .	82,109	33,394	34,222	169,496
Compensated absences payable. . . . .	-	-	29,392	16,780
Due to other funds . . . . .	39	35	-	19,784
Due to other governments. . . . .	44,542	30,466	41,921	173,979
Pension obligation payable. . . . .	41,762	14,872	17,878	42,830
Deposits held and due to others. . . . .	-	-	-	389
Amount to be repaid to claimants . . . . .	33,926	-	-	-
Deferred revenue . . . . .	441,603	153,694	1,617,027	435,866
Unearned revenue. . . . .	1,544,781	764,976	-	2,503,197
Total liabilities . . . . .	<u>2,237,753</u>	<u>1,012,954</u>	<u>1,768,000</u>	<u>3,431,825</u>
<b>Fund balances:</b>				
Reserved for encumbrances. . . . .	22,130	968	86,979	21,948
Reserved for prepayments. . . . .	41,893	9,906	23,789	86,157
Reserved for materials and supplies inventory . . . . .	18,127	-	89,064	17,370
Reserved for loans . . . . .	-	-	-	-
Reserved for unclaimed monies . . . . .	1,271	-	-	-
Unreserved, undesignated, reported in:				
General fund . . . . .	4,554,035	-	-	-
Special revenue funds . . . . .	-	1,385,418	1,612,124	2,887,443
Debt service fund. . . . .	-	-	-	-
Capital projects funds . . . . .	-	-	-	-
Total fund balances . . . . .	<u>4,637,456</u>	<u>1,396,292</u>	<u>1,811,956</u>	<u>3,012,918</u>
Total liabilities and fund balances. . . . .	<u>\$ 6,875,209</u>	<u>\$ 2,409,246</u>	<u>\$ 3,579,956</u>	<u>\$ 6,444,743</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<b>Public Assistance</b>	<b>Courthouse Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 293,405	\$ 440,571	\$ 3,783,034	\$ 14,387,421
-	-	31,433	31,992
-	-	-	523,506
-	-	-	5,199,547
-	-	37,641	62,728
1,076,459	-	1,176,766	5,629,698
-	-	441,955	441,955
-	-	1,958	23,858
-	-	1,221,132	1,221,132
2,605	-	26,839	34,809
10,540	-	11,669	183,954
3,233	-	3,684	131,478
<u>\$ 1,386,242</u>	<u>\$ 440,571</u>	<u>\$ 6,736,111</u>	<u>\$ 27,872,078</u>
\$ 44,985	\$ -	\$ 108,991	\$ 315,548
29,955	-	42,201	391,377
-	-	-	46,172
4,471	-	10,480	34,809
16,470	-	21,845	329,223
14,688	-	18,188	150,218
-	-	31,433	31,822
-	-	-	33,926
757,380	-	1,438,567	4,844,137
-	-	-	4,812,954
<u>867,949</u>	<u>-</u>	<u>1,671,705</u>	<u>10,990,186</u>
-	40,590	20,761	193,376
10,540	-	11,669	183,954
3,233	-	3,684	131,478
-	-	1,221,132	1,221,132
-	-	-	1,271
-	-	-	4,554,035
504,520	-	3,461,151	9,850,656
-	-	232,276	232,276
-	399,981	113,733	513,714
<u>518,293</u>	<u>440,571</u>	<u>5,064,406</u>	<u>16,881,892</u>
<u>\$ 1,386,242</u>	<u>\$ 440,571</u>	<u>\$ 6,736,111</u>	<u>\$ 27,872,078</u>

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**HENRY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2008

<b>Total governmental fund balances</b>		\$ 16,881,892
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,533,316
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Property taxes receivable	\$ 384,401	
Special assessments receivable	441,955	
Intergovernmental receivable	4,017,583	
Accrued interest receivable	<u>198</u>	
Total		4,844,137
In the statement of activities interest is accrued on outstanding loans, notes and bonds whereas in governmental funds, interest expenditures are reported when due.		(57,477)
Long-term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(22,000)	
Special assessment bonds payable	(154,147)	
OWDA loan payable	(361,679)	
Mortgage loan payable	(64,628)	
Notes payable	(2,095,000)	
Compensated absences payable	<u>(1,647,178)</u>	
Total		<u>(4,344,632)</u>
<b>Net assets of governmental activities</b>		<u>\$ 53,857,236</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
<b>Revenues:</b>				
Sales taxes . . . . .	\$ 3,678,934	\$ -	\$ -	\$ -
Property and other taxes . . . . .	1,721,518	898,317	-	2,793,459
Charges for services . . . . .	772,598	519,946	-	321,336
Licenses and permits . . . . .	4,445	-	-	-
Fines and forfeitures . . . . .	71,579	-	66,534	-
Intergovernmental . . . . .	1,256,203	229,541	4,171,185	3,850,202
Special assessments . . . . .	-	-	-	-
Investment income . . . . .	482,162	-	16,641	-
Rental income . . . . .	45,402	27,950	-	-
Contributions and donations . . . . .	-	865	-	974
Other . . . . .	129,655	4,660	26,764	13,956
Total revenues . . . . .	<u>8,162,496</u>	<u>1,681,279</u>	<u>4,281,124</u>	<u>6,979,927</u>
<b>Expenditures:</b>				
Current:				
General government				
Legislative and executive . . . . .	1,845,436	-	-	-
Judicial . . . . .	1,211,982	-	-	-
Public safety . . . . .	2,378,716	-	-	-
Public works . . . . .	149,666	-	3,667,527	-
Health . . . . .	57,185	1,576,863	-	-
Human services . . . . .	290,476	-	-	6,552,802
Economic development and assistance . . . . .	112,616	-	-	-
Transportation . . . . .	-	-	-	-
Intergovernmental . . . . .	222,550	-	-	-
Other . . . . .	82,848	-	-	-
Capital outlay . . . . .	13,515	-	-	-
Debt service:				
Principal retirement . . . . .	111,898	-	-	11,484
Interest and fiscal charges . . . . .	-	-	-	1,528
Total expenditures . . . . .	<u>6,476,888</u>	<u>1,576,863</u>	<u>3,667,527</u>	<u>6,565,814</u>
Excess (deficiency) of revenues over (under) expenditures . . . . .	<u>1,685,608</u>	<u>104,416</u>	<u>613,597</u>	<u>414,113</u>
<b>Other financing sources (uses):</b>				
Note issuance . . . . .	-	-	-	-
Loan issuance . . . . .	-	-	-	-
Transfers in . . . . .	4,852	-	-	-
Transfers out . . . . .	(1,619,453)	-	-	-
Total other financing sources (uses) . . . . .	<u>(1,614,601)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances . . . . .	71,007	104,416	613,597	414,113
<b>Fund balances at beginning of year . . . . .</b>	<u>4,566,449</u>	<u>1,291,876</u>	<u>1,198,359</u>	<u>2,598,805</u>
<b>Fund balances at end of year . . . . .</b>	<u>\$ 4,637,456</u>	<u>\$ 1,396,292</u>	<u>\$ 1,811,956</u>	<u>\$ 3,012,918</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



<b>Public Assistance</b>	<b>Courthouse Project</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ 3,678,934
-	-	-	5,413,294
-	-	886,741	2,500,621
-	-	93,720	98,165
-	-	57,396	195,509
2,037,304	185,561	3,175,413	14,905,409
-	-	339,875	339,875
-	-	67,969	566,772
-	-	7,600	80,952
-	-	12,189	14,028
31,468	-	274,953	481,456
<u>2,068,772</u>	<u>185,561</u>	<u>4,915,856</u>	<u>28,275,015</u>
-	-	522,396	2,367,832
-	-	136,110	1,348,092
-	-	336,459	2,715,175
-	-	324,462	4,141,655
-	-	100,577	1,734,625
2,059,601	-	2,550,832	11,453,711
-	-	449,092	561,708
-	-	417,503	417,503
-	-	-	222,550
-	-	-	82,848
-	444,830	283,495	741,840
-	2,410,000	264,726	2,798,108
-	108,950	28,394	138,872
<u>2,059,601</u>	<u>2,963,780</u>	<u>5,414,046</u>	<u>28,724,519</u>
9,171	(2,778,219)	(498,190)	(449,504)
-	1,955,000	140,000	2,095,000
-	-	1,805	1,805
-	1,000,000	646,092	1,650,944
-	-	(31,491)	(1,650,944)
-	<u>2,955,000</u>	<u>756,406</u>	<u>2,096,805</u>
9,171	176,781	258,216	1,647,301
509,122	263,790	4,806,190	15,234,591
<u>\$ 518,293</u>	<u>\$ 440,571</u>	<u>\$ 5,064,406</u>	<u>\$ 16,881,892</u>

**HENRY COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2008

**Net change in fund balances - total governmental funds** \$ 1,647,301

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

Government funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.

Capital outlay additions	\$ 1,963,100	
Current year depreciation	(2,164,405)	
Total	(201,305)	(201,305)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (156,653)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	65,475	
Sales taxes	(369,108)	
Special assessments	44,213	
Intergovernmental	578,779	
Investment earnings	198	
Total	319,557	319,557

The issuance of notes and loans is other financing sources in the governmental funds; however, their issuance increases long-term liabilities on the statement of net assets. (2,096,805)

Repayment of bond, loan, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 2,798,108

In the statement of activities, interest is accrued on outstanding loans, notes and bonds, whereas in governmental funds, an interest expenditure is reported when due. 33,574

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (148,930)

**Change in net assets of governmental activities** \$ 2,194,847

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Sales taxes. . . . .	\$ 3,565,743	\$ 3,634,149	\$ 3,713,728	\$ 79,579
Property and other taxes. . . . .	1,644,054	1,675,593	1,712,285	36,692
Charges for services. . . . .	750,487	764,884	781,633	16,749
Licenses and permits . . . . .	4,268	4,350	4,445	95
Fines and forfeitures . . . . .	66,587	67,864	69,350	1,486
Intergovernmental. . . . .	1,217,143	1,240,492	1,267,656	27,164
Investment income . . . . .	482,557	491,814	502,584	10,770
Rental income . . . . .	43,593	44,429	45,402	973
Other . . . . .	10,267	10,464	10,693	229
<b>Total revenues. . . . .</b>	<u>7,784,699</u>	<u>7,934,039</u>	<u>8,107,776</u>	<u>173,737</u>
<b>Expenditures:</b>				
Current:				
General government:				
Legislative and executive . . . . .	2,019,477	2,051,921	1,829,630	222,291
Judicial. . . . .	1,339,130	1,360,644	1,213,241	147,403
Public safety . . . . .	2,717,496	2,761,154	2,462,029	299,125
Public works . . . . .	171,661	174,419	155,524	18,895
Health . . . . .	63,119	64,133	57,185	6,948
Human services . . . . .	326,692	331,940	295,980	35,960
Economic development and assistance. . . . .	123,477	125,461	111,869	13,592
Intergovernmental. . . . .	245,643	249,589	222,550	27,039
Other . . . . .	232,131	235,860	198,186	37,674
Capital outlay. . . . .	14,917	15,157	13,515	1,642
Debt service:				
Principal retirement . . . . .	110,129	111,898	111,898	-
<b>Total expenditures. . . . .</b>	<u>7,363,872</u>	<u>7,482,176</u>	<u>6,671,607</u>	<u>810,569</u>
Excess of revenues over expenditures. . . . .	<u>420,827</u>	<u>451,863</u>	<u>1,436,169</u>	<u>984,306</u>
<b>Other financing sources (uses):</b>				
Transfers in. . . . .	4,659	4,748	4,852	104
Transfers out. . . . .	(1,787,492)	(1,816,209)	(1,619,453)	196,756
Other financing sources . . . . .	211,325	215,379	220,095	4,716
<b>Total other financing sources (uses) . . . . .</b>	<u>(1,571,508)</u>	<u>(1,596,082)</u>	<u>(1,394,506)</u>	<u>201,576</u>
Net change in fund balance. . . . .	(1,150,681)	(1,144,219)	41,663	1,185,882
<b>Fund balance at beginning of year . . . . .</b>	<u>3,798,917</u>	<u>3,798,917</u>	<u>3,798,917</u>	<u>-</u>
<b>Prior year encumbrances appropriated . . . . .</b>	<u>150,653</u>	<u>150,653</u>	<u>150,653</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,798,889</u>	<u>\$ 2,805,351</u>	<u>\$ 3,991,233</u>	<u>\$ 1,185,882</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTRY VIEW HAVEN  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property and other taxes . . . . .	\$ 328,859	\$ 803,242	\$ 847,924	\$ 44,682
Charges for services . . . . .	201,655	492,546	519,946	27,400
Intergovernmental . . . . .	89,025	217,445	229,541	12,096
Rental income . . . . .	10,840	26,477	27,950	1,473
Contributions and donations . . . . .	335	819	865	46
Other . . . . .	1,786	4,363	4,606	243
Total revenues . . . . .	<u>632,500</u>	<u>1,544,892</u>	<u>1,630,832</u>	<u>85,940</u>
<b>Expenditures:</b>				
Current:				
Health . . . . .	<u>1,676,438</u>	<u>1,676,438</u>	<u>1,572,798</u>	<u>103,640</u>
Total expenditures . . . . .	<u>1,676,438</u>	<u>1,676,438</u>	<u>1,572,798</u>	<u>103,640</u>
Net change in fund balance. . . . .	(1,043,938)	(131,546)	58,034	189,580
<b>Fund balance at beginning of year . . . . .</b>	1,331,165	1,331,165	1,331,165	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>24,808</u>	<u>24,808</u>	<u>24,808</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 312,035</u>	<u>\$ 1,224,427</u>	<u>\$ 1,414,007</u>	<u>\$ 189,580</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 MOTOR VEHICLE AND GAS TAX  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Fines and forfeitures . . . . .	\$ 61,648	\$ 62,815	\$ 63,408	\$ 593
Intergovernmental . . . . .	4,073,432	4,150,503	4,189,714	39,211
Investment income. . . . .	26,450	26,950	27,205	255
Other . . . . .	288,470	293,928	296,705	2,777
Total revenues . . . . .	<u>4,450,000</u>	<u>4,534,196</u>	<u>4,577,032</u>	<u>42,836</u>
<b>Expenditures:</b>				
Current:				
Public works. . . . .	4,671,651	4,771,651	4,215,218	556,433
Total expenditures . . . . .	<u>4,671,651</u>	<u>4,771,651</u>	<u>4,215,218</u>	<u>556,433</u>
Net change in fund balance. . . . .	(221,651)	(237,455)	361,814	599,269
<b>Fund balance at beginning of year . . . . .</b>	514,262	514,262	514,262	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>221,651</u>	<u>221,651</u>	<u>221,651</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 514,262</u>	<u>\$ 498,458</u>	<u>\$ 1,097,727</u>	<u>\$ 599,269</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 COUNTY BOARD OF MRDD  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues:</b>				
Property and other taxes. . . . .	\$ 2,516,931	\$ 2,806,426	\$ 2,774,623	\$ (31,803)
Charges for services . . . . .	288,849	322,072	318,422	(3,650)
Intergovernmental . . . . .	3,351,162	3,736,609	3,694,265	(42,344)
Contributions and donations. . . . .	884	985	974	(11)
Other . . . . .	11,974	13,351	13,200	(151)
<b>Total revenues . . . . .</b>	<u>6,169,800</u>	<u>6,879,443</u>	<u>6,801,484</u>	<u>(77,959)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	6,592,628	7,202,628	6,513,999	688,629
<b>Total expenditures . . . . .</b>	<u>6,592,628</u>	<u>7,202,628</u>	<u>6,513,999</u>	<u>688,629</u>
Net change in fund balance. . . . .	(422,828)	(323,185)	287,485	610,670
<b>Fund balance at beginning of year . . . . .</b>	2,429,049	2,429,049	2,429,049	-
<b>Prior year encumbrances appropriated . . . . .</b>	<u>112,828</u>	<u>112,828</u>	<u>112,828</u>	<u>-</u>
<b>Fund balance at end of year . . . . .</b>	<u>\$ 2,119,049</u>	<u>\$ 2,218,692</u>	<u>\$ 2,829,362</u>	<u>\$ 610,670</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 PUBLIC ASSISTANCE  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental . . . . .	\$ 2,513,966	\$ 2,513,966	\$ 2,031,763	\$ (482,203)
Other . . . . .	421,394	421,394	340,567	(80,827)
<b>Total revenues . . . . .</b>	<u>2,935,360</u>	<u>2,935,360</u>	<u>2,372,330</u>	<u>(563,030)</u>
<b>Expenditures:</b>				
Current:				
Human services . . . . .	2,935,360	2,935,360	2,385,508	549,852
<b>Total expenditures . . . . .</b>	<u>2,935,360</u>	<u>2,935,360</u>	<u>2,385,508</u>	<u>549,852</u>
Net change in fund balance. . . . .	-	-	(13,178)	(13,178)
<b>Fund balance at beginning of year . . . . .</b>	<u>306,583</u>	<u>306,583</u>	<u>306,583</u>	<u>-</u>
<b>Fund balance at end of year. . . . .</b>	<u>\$ 306,583</u>	<u>\$ 306,583</u>	<u>\$ 293,405</u>	<u>\$ (13,178)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2008

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sanitary Landfill</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Assets:</b>			
Current assets:			
Equity in pooled cash and cash equivalents . . . . .	\$ 159,125	\$ 153,636	\$ 312,761
Deposits with segregated accounts . . . . .	350	-	350
Receivables (net of allowance for uncollectibles):			
Accounts . . . . .	-	77	77
Accrued interest . . . . .	5,944	-	5,944
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	1,931,667	-	1,931,667
Prepayments . . . . .	2,392	-	2,392
Materials and supplies inventory . . . . .	66	-	66
Total current assets . . . . .	<u>2,099,544</u>	<u>153,713</u>	<u>2,253,257</u>
Noncurrent assets:			
Capital assets:			
Land . . . . .	277,435	-	277,435
Depreciable capital assets, net . . . . .	131,995	-	131,995
Total capital assets, net . . . . .	<u>409,430</u>	<u>-</u>	<u>409,430</u>
Total noncurrent assets . . . . .	<u>409,430</u>	<u>-</u>	<u>409,430</u>
Total assets . . . . .	<u>2,508,974</u>	<u>153,713</u>	<u>2,662,687</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable . . . . .	18,482	88	18,570
Accrued wages and benefits . . . . .	4,293	-	4,293
Compensated absences payable . . . . .	3,936	-	3,936
Due to other governments . . . . .	24,505	383	24,888
Pension obligation payable . . . . .	2,074	-	2,074
Total current liabilities . . . . .	<u>53,290</u>	<u>471</u>	<u>53,761</u>
Long-term liabilities:			
Compensated absences . . . . .	21,231	-	21,231
Estimated accrued liability for landfill closure and post closure costs . . . . .	<u>2,635,925</u>	<u>-</u>	<u>2,635,925</u>
Total long-term liabilities . . . . .	<u>2,657,156</u>	<u>-</u>	<u>2,657,156</u>
Total liabilities . . . . .	<u>2,710,446</u>	<u>471</u>	<u>2,710,917</u>
<b>Net assets:</b>			
Invested in capital assets . . . . .	409,430	-	409,430
Unrestricted (deficit) . . . . .	<u>(610,902)</u>	<u>153,242</u>	<u>(457,660)</u>
Total net assets (deficit) . . . . .	<u>\$ (201,472)</u>	<u>\$ 153,242</u>	<u>\$ (48,230)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**HENRY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Sanitary Landfill</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
<b>Operating revenues:</b>			
Charges for services . . . . .	\$ 796,145	\$ 127,497	\$ 923,642
Other . . . . .	16,673	13,303	29,976
Total operating revenues . . . . .	<u>812,818</u>	<u>140,800</u>	<u>953,618</u>
<b>Operating expenses:</b>			
Personal services . . . . .	194,961	-	194,961
Contract services . . . . .	396,687	50,842	447,529
Materials and supplies . . . . .	130,160	-	130,160
Depreciation . . . . .	50,525	-	50,525
Landfill closure and postclosure care costs . . . . .	134,312	-	134,312
Utilities . . . . .	5,203	34,556	39,759
Other . . . . .	-	36,481	36,481
Total operating expenses. . . . .	<u>911,848</u>	<u>121,879</u>	<u>1,033,727</u>
Operating income (loss) . . . . .	<u>(99,030)</u>	<u>18,921</u>	<u>(80,109)</u>
<b>Nonoperating revenues:</b>			
Interest revenue . . . . .	44,854	-	44,854
Total nonoperating revenues . . . . .	<u>44,854</u>	<u>-</u>	<u>44,854</u>
Change in net assets . . . . .	(54,176)	18,921	(35,255)
<b>Net assets (deficit) at beginning of year . . . . .</b>	<u>(147,296)</u>	<u>134,321</u>	<u>(12,975)</u>
<b>Net assets (deficit) at end of year. . . . .</b>	<u>\$ (201,472)</u>	<u>\$ 153,242</u>	<u>\$ (48,230)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2008

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Sanitary Landfill</b>	<b>Other Enterprise Funds</b>	<b>Total</b>
<b>Cash flows from operating activities:</b>			
Cash received from sales/service charges . . . . .	\$ 834,792	\$ 127,441	\$ 962,233
Cash received from other operating revenue . . . . .	16,837	12,719	29,556
Cash payments for personal services . . . . .	(192,252)	-	(192,252)
Cash payments for contract services. . . . .	(396,687)	(50,842)	(447,529)
Cash payments for materials and supplies. . . . .	(123,675)	(2,786)	(126,461)
Cash payments for utilities . . . . .	(5,203)	(34,556)	(39,759)
Cash payments for other expenses . . . . .	-	(36,098)	(36,098)
Net cash provided by operating activities. . . . .	<u>133,812</u>	<u>15,878</u>	<u>149,690</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets. . . . .	(28,762)	-	(28,762)
Net cash (used in) capital and related financing activities . . . . .	<u>(28,762)</u>	<u>-</u>	<u>(28,762)</u>
<b>Cash flows from investing activities:</b>			
Interest received . . . . .	49,104	-	49,104
Net cash provided by investing activities . . . . .	<u>49,104</u>	<u>-</u>	<u>49,104</u>
Net increase in cash and cash equivalents . . . . .	154,154	15,878	170,032
<b>Cash and cash equivalents at beginning of year . . . . .</b>	<u>1,936,988</u>	<u>137,758</u>	<u>2,074,746</u>
<b>Cash and cash equivalents at end of year. . . . .</b>	<u><u>\$ 2,091,142</u></u>	<u><u>\$ 153,636</u></u>	<u><u>\$ 2,244,778</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss) . . . . .	\$ (99,030)	\$ 18,921	\$ (80,109)
Adjustments:			
Depreciation. . . . .	50,525	-	50,525
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable . . . . .	38,811	(56)	38,755
Decrease in materials and supplies inventory . . . . .	30	-	30
(Increase) in prepayments . . . . .	(262)	-	(262)
Increase (decrease) in accounts payable . . . . .	1,983	(1,442)	541
Increase in accrued wages and benefits . . . . .	1,105	-	1,105
Increase (decrease) in due to other governments . . . . .	4,441	(1,545)	2,896
Increase in pension obligation payable. . . . .	198	-	198
Increase in landfill closure and postclosure care liability. . . . .	134,312	-	134,312
Increase in compensated absences payable. . . . .	1,699	-	1,699
Net cash provided by operating activities . . . . .	<u><u>\$ 133,812</u></u>	<u><u>\$ 15,878</u></u>	<u><u>\$ 149,690</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**HENRY COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS  
 FIDUCIARY FUNDS  
 DECEMBER 31, 2008

	<u>Agency</u>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents . . . . .	\$ 6,030,444
Cash in segregated accounts . . . . .	1,162,192
Receivables:	
Property and other taxes. . . . .	23,627,526
Accounts . . . . .	31,447
Due from other governments . . . . .	1,440,312
Special assessments . . . . .	529,728
Accrued interest . . . . .	1,315
Prepayments. . . . .	<u>170</u>
Total assets . . . . .	<u>\$ 32,823,134</u>
<b>Liabilities:</b>	
Due to other governments. . . . .	\$ 29,618,697
Deposits held and due to others . . . . .	2,628,568
Undistributed assets . . . . .	<u>575,869</u>
Total liabilities . . . . .	<u>\$ 32,823,134</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 1 - DESCRIPTION OF THE COUNTY

Henry County, Ohio (the "County"), is governed by a board of three commissioners elected by the voters of the County. Other officials elected by the voters of the County that manage various segments of the County's operations are the Auditor, Treasurer, Recorder, Clerk of Courts, Coroner, Engineer, Prosecuting Attorney, Sheriff, and a Common Pleas/Probate/Juvenile Court Judge. Although the elected officials manage the internal operations of their respective departments, the County Commissioners authorize expenditures as well as serve as the budget and taxing authority, contracting body and the chief administrators of public services for the entire County.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its government activities, business-type activities and proprietary funds provided they do not conflict with or contradict GASB pronouncements. The County has the option to also apply FASB Statements and Interpretations issued after November 30, 1989 to its business-type activities and proprietary funds, subject to this same limitation. The County has elected not to apply these FASB Statements and Interpretations.

The most significant of the County's accounting policies are described below.

##### A. Reporting Entity

The County's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB statement No. 39 "Determining Whether Certain Organizations are Component Units". The basic financial statements include all funds, agencies, boards, commissions, and component units for which the County and the County Commissioners are "accountable". Accountability as defined in GASB Statements No. 14 and No. 39 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 basic financial statements to be misleading or incomplete. Among the factors considered were separate legal standing; appointment of a voting majority of the 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.

Based on the foregoing criteria, the County has no component units. The following organizations are described due to their relationship to the County:

##### *POTENTIAL COMPONENT UNITS REPORTED AS AGENCY FUNDS*

The County Treasurer, as the custodian of public funds, invests all public monies held on deposit in the County treasury. In the case of the separate agencies, boards and commissions listed below, the County serves as fiscal agent, but is not financially accountable for their operations. Accordingly, the following entities are presented as agency funds within the financial statements:

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

Henry County Regional Planning Commission  
Family and Children First Council  
Henry County Soil and Water Conservation District  
Henry County Park District  
Henry County/City of Napoleon General Health District  
Henry County Law Library  
Henry County Community Improvement Corporation

#### *JOINTLY GOVERNED ORGANIZATIONS*

##### Maumee Valley Planning Organization

The Maumee Valley Planning Organization (MVPO) is a jointly governed organization among Henry, Defiance, Fulton, Paulding, and Williams Counties. The MVPO is an organization established to improve the social and economic conditions of the region through development and conservation. The MVPO is governed by a fifteen member executive council composed of the three county commissioners, the mayor of the largest municipality, three mayors selected by the committee of mayors that represent the incorporated cities and villages, the township trustee association president, the regional planning commission chairman, and two members at large to represent business, industry, labor, agricultural, low income, minority groups, education, and consumer protection activities. The County provides resources to the executive council based on a membership fee and services provided to the County. The MVPO exercises total control over the operation of MVPO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the MVPO. In 2008, Henry County contributed \$110,211 for the MVPO's operations. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

##### Fulton-Henry Counties Council

The County is a member of the Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between 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 two member counties in all areas of services. The County did not make any contributions to the Council in 2008.

##### Corrections Commission of Northwest Ohio

The Corrections Commission of Northwest Ohio (CCNO) is a jointly governed organization among Henry, Defiance, Fulton, Lucas and Williams Counties and the City of Toledo. The CCNO was established to provide jail space for convicted criminals in the five counties and the City of Toledo and to provide a correctional center for the inmates. The CCNO was created in 1986 and occupancy started in 1991. The commission team consists of eighteen members; one judge, one chief law enforcement officer and one county commissioner or administrative official from each entity. The commission team exercises total control over the operation of the CCNO including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CCNO. In 2008, Henry County contributed \$831,424 for the CCNO's operations. Information can be obtained from William Ott, Fiscal Manager, Corrections Commission of Northwest Ohio, 03151 County Road 2425, Stryker, Ohio 43557.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### Four County Board of Alcohol, Drug Addiction, and Mental Health Services

The Four County Board of Alcohol, Drug Addiction, and Mental Health Services (ADAMHS) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties to provide alcohol, drug addiction, and mental health services to individuals in the four counties. The Governing Board of ADAMHS consists of eighteen members; four members appointed by the Ohio Director of Alcohol and Drug Addition Services, four members appointed by the Ohio Director of Mental Health Services, Defiance and Fulton County Commissioners appointing three members each and Henry and Williams County Commissioners appointing two members each. The Governing Board exercises total control over the operation of the ADAMHS including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the ADAMHS. In 2008, Henry County contributed \$515,909 for the ADAMHS operations. Information can be obtained from Marlene J. Goodwin, Defiance County Auditor, 221 Clinton Street, Defiance, Ohio 43512.

##### Quadco Rehabilitation Center, Administrative Board

The Quadco Rehabilitation Center (Quadco) is a jointly governed organization among Henry, Defiance, Fulton, and Williams Counties. Quadco Rehabilitation Center is a nonprofit corporation which 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 MRDD). This Board, in conjunction with the County Boards of MRDD, assesses the needs of adult mentally challenged and developmentally disabled residents of each county and sets priorities based on available funds. The County provides resources to the Board based on units of service provided to the County. Quadco exercises total control over the operation of Quadco including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for Quadco. In 2008, Henry County contributed \$329,463 for Quadco's operations. Information can be obtained from Terry Fruth, CFO, Quadco Rehabilitation Center, 427 North Defiance Street, Stryker, Ohio 43557.

##### Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center

The Northwest Ohio Juvenile Detention, Training, and Rehabilitation Center (Center) is a jointly governed organization among Henry, Defiance, Fulton and Williams Counties. The Center's Board of Trustees consists of thirteen members; three from each county and one at-large member. The Board of Trustees exercises total control over the operation of the Center including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the Center. In 2008, Henry County contributed \$213,001 for the Center's operations. Information can be obtained from Nancy J. Yackee, Fulton County Auditor, 152 South Fulton Avenue, Suite 165, Wauseon, Ohio 43567.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### Henry County Community Improvement Corporation

The Community Improvement Corporation of Henry County (CIC) is a jointly governed organization among Henry County, the City of Napoleon, and the respective villages and townships of Henry County. The purpose of the CIC is to promote and encourage the establishment and growth of industrial, commercial, distribution, and research facilities within member subdivisions. The CIC is governed by a Board of Trustees consisting of fifteen self-appointed members. Not less than two-fifths of the members are to be composed of elected officials. Five of these trustees include: a member of the Board of County Commissioners of Henry County, the Auditor of Henry County, the Mayor or his/her designated elected official of the City of Napoleon, another Mayor or his/her designated elected official from any Village in the County and the President of the Henry County Trustees or his/her designated elected official. The remaining members represent private residents of Henry County or employees of Henry County businesses or firms. The County provides resources to the Board of trustees based on a membership fee. The CIC exercises total control over the operation of CIC including budgeting, contracting, and designating management. The County has no ongoing financial interest or responsibility for the CIC. In 2008, Henry County contributed \$61,800 for the CIC's operations. Information can be obtained from Amanda Griffith, Executive Assistant, 104 E. Washington Street, Suite 301, Napoleon, Ohio 43545.

Regional Port Authority of Northwest Ohio - The Regional Port Authority of Northwest Ohio (the "Authority") was created in June 2008 and is a jointly governed organization between Defiance, Henry, Paulding and Fulton Counties. The Authority was established pursuant to Ohio Revised Code Section 4582.21. The purpose of the Authority is to enhance, foster, aid, provide or promote transportation, economic development, housing, recreation, education, governmental operations, culture, research and the creation and preservation of jobs and employment opportunities.

The Authority is governed by a Board consisting of twelve appointed members. Each member county's Board of County Commissioners shall appoint three members. Each respective Board of County Commissioners shall appoint one member of the Board whose initial term expires December 31, 2008, one member of the Board whose initial term expires December 31, 2009 and one member of the Board whose initial term expires December 31, 2010. Upon the expiration of the initial terms, each subsequent member of the Board shall serve a four year term commencing on January 1 of each year.

Any county may withdraw from the Authority by resolution of that county's Board of County Commissioners. Upon withdrawal, such county shall not be entitled to any distribution from the Authority and forfeits its rights to receive any funds it contributed to the Authority. The Authority may be dissolved by adoption of a resolution by all member counties' Board of County Commissioners. Upon dissolution and after paying all expenses, costs and debts of the Authority, any real or personal property given to the Authority shall be returned to the county from which it was received, and any balances remaining in the funds of the Authority, and remaining real or personal property of the Authority, shall be distributed to the counties equally.

During 2008, the County contributed \$5,000 to the Authority. Financial information of the Authority can be obtained by contacting Jerry J. Arkebauer, Executive Director, 1300 E. 2<sup>nd</sup> Street, Suite 200, Defiance, Ohio 43512.



## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### *RELATED ORGANIZATIONS*

Henry County Metropolitan Housing Authority - The Henry County Metropolitan Housing Authority (the "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.

Henry County Regional Water and Sewer District - The Henry County Regional Water and Sewer District (the "District") is a related organization of the County. The District is a distinct political subdivision of the State of Ohio organized under Ohio Revised Code Section 6119.02. The District is governed by a five member Board of Trustees all of whom are appointed by the Henry County Commissioners. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the County for operational subsidies. The District is not considered a part of the County and its operations are not included within the accompanying financial statements. Financial information can be obtained from the Henry County Regional Water and Sewer District, P.O. Box 146, Napoleon, Ohio 43545-0146.

#### **B. Basis of Presentation and Measurement Focus**

**Government-wide Financial Statements** - The statement of net assets and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the County that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the enterprise fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the County and for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the County. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the County.

**Fund Financial Statements** - Fund financial statements report detailed information about the County. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

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 statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the County finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the County's proprietary funds are charges for sales and services. Operating expenses for the proprietary funds include personnel and other expenses related to the operations of the proprietary activity. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Agency funds do not report a measurement focus as they do not report operations.

#### C. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

##### *GOVERNMENTAL FUNDS*

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

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

*Country View Haven* - This fund accounts for taxes and State grants, as well as charges for services and related expenditures of the county nursing and life care home.

*Motor Vehicle and Gas Tax* - This fund accounts for revenues derived from motor vehicle licenses, and gasoline taxes. Expenditures are restricted by State law to County road and bridge repair and maintenance programs.

*County Board of Mental Retardation and Developmentally Disabled (MRDD)* - This fund accounts for the operation of a school and the costs of administering a workshop for the mentally retarded and developmentally disabled. Revenue sources include a countywide property tax levy and federal and State grants.

*Public Assistance* - This fund accounts for various federal and State grants used to provide public assistance to general relief recipients, pay their providers for medical assistance and for certain public social services.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Courthouse Project - This fund is to account for activity related to the courthouse improvement project, including proceeds of notes and construction expenditures.

Other governmental funds of the County are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities; (b) for the accumulation of resources for, and the repayment of, general long-term debt principal, interest and related costs and (c) for grants and other resources, the use of which is restricted to a particular purpose.

*PROPRIETARY FUNDS*

Proprietary funds are used to account for the County's ongoing activities which are similar to those found in the private sector. The following is the County's only proprietary fund type:

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. The County has presented the following major enterprise fund:

Sanitary Landfill - This fund accounts for user charges and related expenses, as well as the estimated liability for closure and post closure costs.

Other enterprise funds of the County are used to account for the provision of radio tower charges, Hahn Center operations and Monroe Township landfill fees. These funds are nonmajor funds whose activity has been aggregated and presented in a single column in the BFS.

*FIDUCIARY FUNDS*

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the County under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the County's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The County's only fiduciary funds are agency funds which account for monies held for other governments and undistributed assets. The County uses agency funds to account for assets held in a purely custodial capacity as fiscal agent for other entities, and for various taxes, State-shared revenues and fines and forfeitures collected on behalf of and distributed to other local governments. Agency fund transactions typically involve only the receipt, temporary investment and distribution of these resources.

**D. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the basic financial statements. Government-wide financial statements are prepared using the full accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds use the full accrual basis of accounting. Differences in the full accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

**Revenues - Exchange and Non-exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the full accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the County, available means expected to be received within sixty days of year-end.

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include sales taxes, property taxes, grants, entitlements and donations. On a full accrual basis, revenue from sales taxes is recognized in the year in which the sales are made. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from all other nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: sales tax (see Note 7), interest, federal and State grants and subsidies, State-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

**Unearned Revenue and Deferred Revenue** - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2008, but which were levied to finance year 2009 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as unearned revenue. Special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at December 31, 2008, are recorded as deferred revenue in the governmental funds.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

**Expense/Expenditures** - On the full accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### **E. Budgetary Process**

Outlined below are the procedures followed by the County to establish the annual operating budget and budgetary data reported in the 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.
2. Shortly after the beginning of the year, the Board of County Commissioners passes 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 budgetary statements include the prior year appropriations carried over for liquidations against prior year encumbrances and any amendments to the original appropriation resolution.
5. The Board of County Commissioners appropriate at the fund, department and line item. For funds which are directly appropriated by the Board of County Commissioners, the transfer of appropriations at the fund, department and line item 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 2008.
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.

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 are reported as expenditures on the budgetary basis of accounting.

##### **F. Cash and Investments**

To improve cash management, cash received by the County other than cash in segregated accounts is pooled. Monies for all 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) on the financial statements.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during 2008 amounted to \$482,162 which includes \$370,487 assigned from other County funds.

The County has segregated bank accounts for monies held separately from the County's central bank account. These interest-bearing depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited into the County treasury.

For presentation on the basic financial statements, 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.

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

#### **G. Inventories of Materials and Supplies**

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On the governmental fund financial statements, reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

#### **H. Capital Assets**

Governmental capital assets are those assets not specifically related to activities reported in the enterprise funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the governmental fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of \$5,000. The County's infrastructure consists of roads, bridges and culverts. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is capitalized for the business-type activities.

All reported capital assets are depreciated, except for land. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the County's historical records of necessary improvements and replacements.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

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

Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and improvements	15 - 100 years	20 - 40 years
Machinery and equipment	5 - 25 years	10 - 25 years
Vehicles	4 - 20 years	10 years
Infrastructure	20 - 50 years	-

**I. 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 is attributable to services already rendered and is 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 December 31, 2008, by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. Sick leave benefits are accrued using the “vesting” method.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at December 31, 2008, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

The entire compensated absences liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the accounts “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At year-end, because payments are not available to finance future governmental fund expenditures the fund balance is reserved by an amount equal to carrying value of the asset.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### **K. Accrued Liabilities and Long-term Obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported in the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

##### **L. Interfund Transactions**

During the normal course of operations, the County has numerous transactions between funds.

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the County are treated similarly when involving other funds of the County.

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the non-current portion of interfund loans. The County had no interfund loans receivable/payable or advances to/from other funds outstanding at December 31, 2008.

All other outstanding balances between funds are reported as "due to/from other funds." These amounts are eliminated in the statement of net assets, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances". At December 31, 2008, there were no residual balances outstanding between the governmental activities and business-type activities, therefore, no internal balances are reported on the government-wide financial statements.

##### **M. Fund Balance Reserves**

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

The County reports amounts representing encumbrances outstanding, prepayments, materials and supplies inventories, unclaimed monies, and loans receivable as reservations of fund balance in the governmental fund financial statements.



## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

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

##### N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes consist primarily of monies restricted for real estate assessments.

The County applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

##### O. Restricted Assets

Restricted assets in the business-type activities and on the enterprise fund financial statements 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.

##### P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the County administration and that are either unusual in nature or infrequent in occurrence. The County had no extraordinary items or special items during 2008.

##### Q. Estimates

The preparation of financial statements in conformity with GAAP 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.

#### NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

##### A. Change in Accounting Principles

For 2008, the County has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Post-employment Benefits Other than Pensions", GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other post-employment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the County; however, certain disclosures related to post-employment benefits (see Note 16) have been modified to conform to the new reporting requirements.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the County.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other post-employment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the County.

**B. Deficit Net Assets**

<u>Nonmajor governmental fund</u>	<u>Deficit</u>
Marine patrol	\$ 6
 <u>Major proprietary fund</u>	
Sanitary landfill	201,472
 <u>Nonmajor proprietary fund</u>	
Monroe Township (landfill fees)	34

These funds complied with Ohio State law, which does not permit a cash basis deficit at year-end. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit net asset balance in the sanitary landfill fund was due to the recording of a liability for closure and post closure costs associated with the landfill. The deficit net asset balance in the marine patrol and Monroe Township funds were due to the recording of intergovernmental payables.

**NOTE 4 - DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the County 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 Treasurer has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either 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 of 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 deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. 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;
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 items (1) or (2) above 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 Asset Reserve of Ohio 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 items (1) or (2) above or cash or both securities and cash, equal value for equal value;
9. High grade commercial paper for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio; and,
10. Bankers acceptances for a period not to exceed 180 days and in an amount not to exceed twenty-five percent of the County's total average portfolio.

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

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

##### A. Cash on Hand

At year-end, the County had \$3,559 in undeposited cash on hand, of which \$1,159 is included on the financial statements as "cash in segregated accounts" and \$2,400 is included on the financial statements of the County as part of "equity in pooled cash and cash equivalents."

##### B. Cash in Segregated Accounts

At year-end, the County had \$1,194,534 cash and cash equivalents deposited separate from the County's internal investment pool. This amount is included in the amount of "deposits with financial institutions" below.

##### C. Restricted Assets

The County had \$1,931,667 in restricted assets associated with the County landfill. This amount is included in the amount of "deposits with financial institutions" below.

##### D. Deposits with Financial Institutions

At December 31, 2008, the carrying amount of all County deposits was \$23,853,268. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2008, \$23,133,738 of the County's bank balance of \$24,164,739 was exposed to custodial risk as discussed below, while \$1,031,001 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. As permitted by Ohio Revised Code, the County's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC. The County has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**E. Reconciliation of Cash and Investments to the Statement of Net Assets**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of December 31, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 23,853,268
Cash on hand	<u>3,559</u>
Total	<u>\$ 23,856,827</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 14,419,413
Business-type activities	2,244,778
Agency funds	<u>7,192,636</u>
Total	<u>\$ 23,856,827</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended December 31, 2008, consisted of the following, as reported on the fund financial statements:

Transfers to general fund from:	
Nonmajor governmental funds	\$ 4,852
Transfer to courthouse project fund from:	
General fund	1,000,000
Transfers to nonmajor governmental funds from:	
General fund	619,453
Nonmajor governmental funds	<u>26,639</u>
Total	<u>\$ 1,650,944</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The transfers to the general fund are transfers to close two nonmajor governmental funds. Transfers from the nonmajor governmental funds to other nonmajor governmental funds were for debt retirement expenditures to be recorded in the funds in which the outstanding debt is recorded.

The County's transfers were in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated for reporting on the statement of activities.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 5 - INTERFUND TRANSACTIONS - (Continued)**

- B.** Due from/to other funds consisted of the following at December 31, 2008, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Public assistance	\$ 298
General	Nonmajor governmental funds	1,544
Public assistance	Nonmajor governmental funds	2,605
Motor vehicle and gas tax	General	39
Motor vehicle and gas tax	Nonmajor governmental funds	169
Motor vehicle and gas tax	Country view haven	35
MRDD	Nonmajor governmental funds	3,280
Nonmajor governmental funds	Public assistance	4,173
Nonmajor governmental funds	MRDD	19,784
Nonmajor governmental funds	Nonmajor governmental funds	<u>2,882</u>
Total due to/due from other funds		<u>\$ 34,809</u>

Amounts due from/to other funds represent amounts owed between funds for goods or services provided. The balances resulted from the time lag between the dates that payments between the funds are made. Due to/from other funds between governmental funds are eliminated on the statement of net assets.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real, public utility and tangible personal property located in the County. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenues received in 2008 (other than public utility property) represent the collection of 2008 taxes. Tangible personal property taxes received in 2008 were levied after October 1, 2007, on the true value as of December 31, 2007. Tangible personal property tax is being phased out - the assessment percentage for property, including inventory, is 6.25% for 2008. This percentage will be reduced to zero for 2009. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, the first payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 6 - PROPERTY TAXES - (Continued)**

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the County due to the phasing out of the tax. In calendar years 2008-2010, the County will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The County Treasurer collects property taxes on behalf of all taxing districts in the County. The County Auditor periodically remits to the taxing districts their portion of the taxes collected. Property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2008 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by unearned revenue since the current taxes were not levied to finance 2008 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is deferred.

The full tax rate for all County operations for the year ended December 31, 2008 was \$14.40 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real property

Residential/agricultural	\$ 457,769,180
Commercial/industrial/mineral	66,174,940
Tangible personal property	2,190,520

Public utility

Real	423,680
Personal	<u>16,781,770</u>
Total assessed value	<u>\$ 543,340,090</u>

**NOTE 7 - PERMISSIVE SALES AND USE TAX**

In a prior year, the voters approved a .5% tax on sales with collection beginning on April 1, 2007. 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.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 7 - PERMISSIVE SALES AND USE TAX - (Continued)**

Proceeds of the tax are credited to the general fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2008 and amounts that are measurable and available at year-end are accrued as revenue. Amounts received outside the available period are recorded as deferred revenue on the fund financial statements and as revenue on the government-wide financial statements. Sales and use tax for 2008 amounted to \$3,678,934 as reported on the fund financial statements.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2008, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the financial statements. All interfund transactions related to charges for goods and services rendered have been classified as "due from other funds" on the fund financial statements which are eliminated on the government-wide statements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds.

A summary of the items of receivables as reported on the statement of net assets follows:

<b>Governmental activities:</b>	<u>Amount</u>
Sales taxes	\$ 523,506
Property and other taxes	5,199,547
Accounts	62,728
Due from other governments	5,629,698
Special assessments	441,955
Accrued interest	23,858
Loans	1,221,132
<b>Business-type activities:</b>	
Accounts	77
Accrued interest	5,944

Receivables have been disaggregated on the face of the financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments and the loans. The special assessments are collected over the term of the assessment and the loans receivable which will be collected annually through 2020 (see Note 9).



**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 9 - LOANS RECEIVABLE**

The County maintains a revolving loan program for local businesses to encourage business development in the County. A summary of the County's loan activity for 2008 is as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Issued</u>	<u>Received</u>	<u>Balance</u> <u>12/31/08</u>
Revolving loans	\$ 997,789	\$ 541,000	\$ (317,657)	\$ 1,221,132

The loans are reported in the nonmajor governmental funds as "loans receivable". Fund balance has been reserved for the outstanding balance due at year-end on the fund financial statements.

**NOTE 10 - CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2008, was as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/08</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,656,808	\$ -	\$ -	\$ 1,656,808
Total capital assets, not being depreciated	<u>1,656,808</u>	<u>-</u>	<u>-</u>	<u>1,656,808</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	24,338,702	468,167	(13,384)	24,793,485
Machinery and equipment	1,370,821	27,648	(62,241)	1,336,228
Vehicles	4,705,183	153,097	(503,808)	4,354,472
Infrastructure	<u>33,550,643</u>	<u>1,314,188</u>	<u>-</u>	<u>34,864,831</u>
Total capital assets, being depreciated	<u>63,965,349</u>	<u>1,963,100</u>	<u>(579,433)</u>	<u>65,349,016</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(12,785,645)	(733,609)	10,815	(13,508,439)
Machinery and equipment	(898,671)	(73,153)	59,246	(912,578)
Vehicles	(2,308,851)	(253,826)	352,719	(2,209,958)
Infrastructure	<u>(12,737,716)</u>	<u>(1,103,817)</u>	<u>-</u>	<u>(13,841,533)</u>
Total accumulated depreciation	<u>(28,730,883)</u>	<u>(2,164,405)</u>	<u>422,780</u>	<u>(30,472,508)</u>
Total capital assets being depreciated, net	<u>35,234,466</u>	<u>(201,305)</u>	<u>(156,653)</u>	<u>34,876,508</u>
Governmental activities capital assets, net	<u>\$ 36,891,274</u>	<u>\$ (201,305)</u>	<u>\$ (156,653)</u>	<u>\$ 36,533,316</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 10 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to functions/programs of the County as follows:

**Governmental activities:**

General government:

Legislative and executive	\$ 565,927
Judicial	24,933
Public safety	64,932
Public works	1,247,995
Health	46,988
Human services	197,106
Other	<u>16,524</u>

Total depreciation expense - governmental activities \$ 2,164,405

	Balance 12/31/07	Additions	Deductions	Balance 12/31/08
<b>Business-type activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 277,435	\$ -	\$ -	\$ 277,435
Total capital assets, not being depreciated	<u>277,435</u>	<u>-</u>	<u>-</u>	<u>277,435</u>
<i>Capital assets, being depreciated:</i>				
Buildings and improvements	74,745	-	-	74,745
Machinery and equipment	76,783	-	-	76,783
Vehicles	<u>795,299</u>	<u>28,762</u>	<u>-</u>	<u>824,061</u>
Total capital assets, being depreciated	<u>946,827</u>	<u>28,762</u>	<u>-</u>	<u>975,589</u>
<i>Less: accumulated depreciation:</i>				
Buildings and improvements	(61,291)	(1,495)	-	(62,786)
Machinery and equipment	(27,494)	(6,653)	-	(34,147)
Vehicles	<u>(704,284)</u>	<u>(42,377)</u>	<u>-</u>	<u>(746,661)</u>
Total accumulated depreciation	<u>(793,069)</u>	<u>(50,525)</u>	<u>-</u>	<u>(843,594)</u>
Total capital assets, being depreciated net	<u>153,758</u>	<u>(21,763)</u>	<u>-</u>	<u>131,995</u>
Business-type activities capital assets, net	<u>\$ 431,193</u>	<u>\$ (21,763)</u>	<u>\$ -</u>	<u>\$ 409,430</u>

Depreciation expense was charged to the enterprise fund of the County as follows:

**Business-type activities:**

Sanitary landfill	<u>\$ 50,525</u>
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## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In a prior year, the County entered into a capital lease obligation for acquisition of copier equipment. This lease met the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. At inception, on the governmental fund financial statements, capital lease transactions are accounted for as capital outlay expenditure and an other financing source in the appropriate fund. At December 31, 2008, the copier equipment has been capitalized in the amount of \$26,716 with a total of \$20,991 in accumulated depreciation leaving a book value of \$5,725. Principal and interest payments for 2008 totaled \$5,124 and \$166, respectively, paid by the county board of MRDD fund. The lease obligation was completely retired during 2008.

#### NOTE 12 - COMPENSATED ABSENCES

Vacation leave is earned at rates which vary depending upon length of service and standard workweek. County employees earn vacation at varying rates ranging from two to five weeks per year. Current policies credit vacation leave on a pay period basis except for new employees who are required to complete one year of service prior to their accrual becoming available. Employees may also accrue compensatory time for hours worked in excess of forty per week. County employees are paid for earned, unused vacation leave and compensatory time upon termination of employment. Accumulated vacation cannot exceed three times the annual accumulation rate for an employee.

Sick leave is accumulated at the rate of 4.6 hours per 80 hours worked and is accumulated on an hours worked basis. Sick leave is vested upon eligibility for retirement.

Each employee of the County with ten or more years of service with any Ohio local government or the State of Ohio is paid 25% of his or her accumulated unused sick leave, up to a maximum of 240 hours upon retirement from the County. Each employee of the County Board of MRDD with ten or more years of service with any Ohio local government or the State of Ohio is paid 25% of his or her accumulated unused sick leave, up to a maximum of 360 hours upon retirement from the County.

At December 31, 2008, vested benefits for vacation leave for governmental activities employees totaled \$676,773 and vested benefits for sick leave totaled \$250,028. In addition, the County has recorded a liability in the governmental funds in the amount of \$46,172 for employees who have notified the County by December 31, 2008 of their intent to retire. These amounts represent the total vested benefits and are reported in the government-wide financial statements. For business-type activities, vested benefits for vacation leave totaled \$3,936. These amounts represent the total portion of the vested benefits and are reported as a liability of the fund from which the employee is paid. In accordance with GASB Statement No. 16, an additional liability of \$720,377 for governmental activities employees and \$21,231 for business-type activities employees was accrued to record termination (severance) payments for employees expected to become eligible to retire in the future.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS**

**A. Governmental Activities Long-Term Obligations**

During 2008, the following changes occurred in the County's governmental long-term obligations:

	Original Amount <u>Issued</u>	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/08</u>	Amount Due in <u>One Year</u>
<b>Governmental activities:</b>						
<u>General obligation bonds:</u>						
2003 - 5% Grelton						
waterline bond	\$ 27,000	\$ 23,000	\$ -	\$ (1,000)	\$ 22,000	\$ 2,000
Total general obligation bonds	<u>27,000</u>	<u>23,000</u>	<u>-</u>	<u>(1,000)</u>	<u>22,000</u>	<u>2,000</u>
<u>OWDA loans:</u>						
1990 - 2% Texas waterline project	291,706	90,003	-	(13,109)	76,894	13,371
2002 - 3% Silgan can waterline	398,038	360,848	-	(76,063)	284,785	78,361
2002 - 5.64% Water and sewer district	110,093	110,093	1,805	(111,898)	-	-
Total OWDA loans	<u>799,837</u>	<u>560,944</u>	<u>1,805</u>	<u>(201,070)</u>	<u>361,679</u>	<u>91,732</u>
Special assessment bonds						
<u>with governmental commitment:</u>						
1995 - 6.15% to 9.9%	345,000	40,000	-	(15,000)	25,000	25,000
1998 - 4.75%	211,925	138,701	-	(9,554)	129,147	1,554
Total special assessment bonds	<u>556,925</u>	<u>178,701</u>	<u>-</u>	<u>(24,554)</u>	<u>154,147</u>	<u>26,554</u>
<u>Notes payable:</u>						
Courthouse project - 4.50%	2,410,000	2,410,000	-	(2,410,000)	-	-
Certificate of title building - 4.50%	40,000	40,000	-	(40,000)	-	-
Ridgeville turn lane - 4.50%	110,000	110,000	-	(110,000)	-	-
Courthouse project - 3.40%	1,955,000	-	1,955,000	-	1,955,000	1,955,000
Certificate of title building - 3.40%	35,000	-	35,000	-	35,000	35,000
Ridgeville turn lane -3.40%	105,000	-	105,000	-	105,000	105,000
Total notes payable	<u>4,655,000</u>	<u>2,560,000</u>	<u>2,095,000</u>	<u>(2,560,000)</u>	<u>2,095,000</u>	<u>2,095,000</u>
<u>Other obligations:</u>						
Compensated absences	N/A	1,535,987	753,578	(596,215)	1,693,350	722,945
Mortgage loan - 2%	100,000	70,988	-	(6,360)	64,628	6,489
Capital lease obligations	26,716	5,124	-	(5,124)	-	-
Total other obligations	<u>126,716</u>	<u>1,612,099</u>	<u>753,578</u>	<u>(607,699)</u>	<u>1,757,978</u>	<u>729,434</u>
Total governmental activities long-term obligations	<u>\$ 6,165,478</u>	<u>\$ 4,934,744</u>	<u>\$ 2,850,383</u>	<u>\$ (3,394,323)</u>	<u>\$ 4,390,804</u>	<u>\$ 2,944,720</u>

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

##### General obligation bonds

In 2003, the County issued \$27,000 in bonds to repay notes used to finance the Grelton waterline extension project. Principal and interest on the bonds are being paid from the Grelton waterline extension debt service fund (a nonmajor governmental fund). The general obligation bonds are supported by the full faith and credit of the County.

##### Special assessment bonds

During 1998, the County issued \$211,925 in special assessment bonds to finance a Grelton waterline project. These bonds are payable from special assessments levied against property owners who benefit from the project. During 1995, the County issued \$345,000 in special assessment bonds to finance three waterline projects; Country View Haven, Okolona and Texas waterline extensions. These bonds are payable from special assessments levied against property owners who benefit from the projects. In the event that special assessments are not sufficient to pay the annual principal and interest payments, the County is responsible for providing the resources to meet the payments as the full faith and credit of the County has been pledged for repayment.

##### Ohio Water Development Authority loans

In 1990, the County entered into a loan with the Ohio Water Development Authority (OWDA) for the construction of the Texas Waterline project. Semi-annual payments are due through 2014 with an interest rate of 2%. During 2002, the County entered into a loan agreement with the OWDA as an incentive for the location of a new waterline for the Silgan Can Company. Repayment of this loan will be funded through tax increment financing (TIF) payments made by Silgan Can Company. Beginning July 1, 2007, semi-annual TIF payments will be made to the County and subsequently remitted to the OWDA. The loan is amortized over a period of ten years. Also, during 2002, the County also entered into a loan agreement with the OWDA for the formation of a water and sewer district. This loan was retired during 2008.

##### Mortgage loan

During 2003, County Board of MRDD fund received a mortgage loan from the Henry County Association for Retarded Citizens and is required to make monthly payments over the next fifteen years to repay the \$100,000 loan which has an interest rate of 2%. Principal and interest payments are being made from the county board of MRDD fund.

##### Notes payable

During 2007, the County issued \$2,410,000 of bond anticipation notes at 4.50% to finance the purchase and renovation of a courthouse building at Oakwood Commons. These notes were retired during 2008 and reissued for \$1,955,000 at 3.40%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the courthouse project fund.

During 2007, the County issued \$40,000 of bond anticipation notes at 4.50% to finance improvements of the Certificate of Title building. These notes were retired during 2008 and reissued for \$35,000 at 3.40%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the nonmajor governmental funds.

During 2007, the County issued \$110,000 in notes at 4.50% to finance improvements of the Ridgedale turn lane. These notes were retired during 2008 and reissued for \$105,000 at 3.40%. The proceeds of the new note issue and the retirement of the previous note issue has been recorded in the nonmajor governmental funds.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

These notes have been recorded as long-term in accordance with FASB Statement No. 6 “Classification of Short-Term Obligations Expected to be Refinanced”, since the bond anticipation notes have been refinanced on a long-term basis prior to the issuance of the financial statements (see Note 22).

Compensated absences

Compensated absences will be paid from the funds from which the employees’ salaries are paid, which are primarily the general, county board of MRDD and motor vehicle and gas tax funds.

Capital leases payable

Capital lease principal and interest payments were made from the county board of MRDD fund. See Note 11 for further detail on the capital lease obligations.

Future debt service requirements

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

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 2,000	\$ 92	\$ 2,092	\$ 26,554	\$ 8,646	\$ 35,200
2010	2,000	83	2,083	15,050	5,089	20,139
2011	2,000	75	2,075	14,050	4,901	18,951
2012	2,000	67	2,067	15,050	4,776	19,826
2013	2,000	58	2,058	12,050	4,776	16,826
2014 - 2018	10,000	167	10,167	59,526	11,097	70,623
2019	<u>2,000</u>	<u>8</u>	<u>2,008</u>	<u>11,867</u>	<u>514</u>	<u>12,381</u>
Total	<u>\$ 22,000</u>	<u>\$ 550</u>	<u>\$ 22,550</u>	<u>\$ 154,147</u>	<u>\$ 39,799</u>	<u>\$ 193,946</u>

Year Ended	OWDA Loans			Mortgage Loan		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 91,732	\$ 9,498	\$ 101,230	\$ 6,489	\$ 1,233	\$ 7,722
2010	94,368	6,862	101,230	6,620	1,102	7,722
2011	97,082	4,149	101,231	6,753	969	7,722
2012	56,713	1,357	58,070	6,890	932	7,822
2013	14,472	436	14,908	7,029	693	7,722
2014 - 2018	<u>7,312</u>	<u>142</u>	<u>7,454</u>	<u>30,847</u>	<u>1,328</u>	<u>32,175</u>
Total	<u>\$ 361,679</u>	<u>\$ 22,444</u>	<u>\$ 384,123</u>	<u>\$ 64,628</u>	<u>\$ 6,257</u>	<u>\$ 70,885</u>

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)**

**B. Business-type Long-Term Obligations**

During 2008, the following changes occurred in the County's business-type long-term obligations:

	<u>Balance</u> <u>12/31/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/08</u>	<u>Due in</u> <u>One Year</u>
<b>Business-type activities:</b>					
Landfill closure and postclosure care liability	\$ 2,501,613	\$ 134,312	\$ -	\$ 2,635,925	\$ -
Compensated absences	<u>23,468</u>	<u>1,699</u>	<u>-</u>	<u>25,167</u>	<u>3,936</u>
Total	<u>\$ 2,525,081</u>	<u>\$ 136,011</u>	<u>\$ -</u>	<u>\$ 2,661,092</u>	<u>\$ 3,936</u>

Landfill closure and postclosure care liability

See Note 21 for information on this liability.

Compensated absences

Compensated absences will be paid from the sanitary landfill fund.

- 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 assessed valuation used in determining the County's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the County's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. Based on this calculation, the County's voted legal debt margin was \$12,205,800 at December 31, 2008 and the unvoted legal debt margin was \$5,608,485 at December 31, 2008.

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 14 - RISK MANAGEMENT**

**A. Property and Liability Insurance**

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

During 2008, the County contracted with the County Risk Sharing Authority, Inc. (CORSA) for liability, property, automotive, and crime insurance. The CORSA program has a \$2,500 deductible. Coverage provided by CORSA is as follows:

	<u>Amount</u>
General Liability (per occurrence)	\$ 1,000,000
Law Enforcement Liability (per occurrence)	1,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	1,000,000
Medical Payments	
Per Person	5,000
Per Occurrence	50,000
Uninsured Motorist (per person)	250,000
Physical Damage	Actual Cost
Flood and Earthquake (pool limit)	100,000,000
Other Property Insurance:	
Extra Expense	1,000,000
EDP Media	Replacement Cost
Contractors' Equipment	Replacement Cost
Valuable Papers and Records	1,000,000
Inland Marine	Replacement Cost
Automatic Acquisition	3,000,000
Motor Truck Cargo	100,000
Crime Insurance:	
Faithful Performance	1,000,000
Money and Securities (inside and outside)	1,000,000
Depositor's Forgery	1,000,000
Money Orders and Counterfeit Paper Currency	1,000,000
Boiler and Machinery	100,000,000
Public Officials (per occurrence)	1,000,000
Umbrella (per occurrence)	5,000,000

There has been no significant reduction in insurance coverage from the prior year, and settled claims have not exceeded this coverage in the past three years. The County pays all elected officials' bonds by statute.

**B. Fulton-Henry Counties Employee Insurance Benefits Program**

The County participates in the Fulton-Henry Counties Employee Insurance Benefits Program (the "Program"), a public entity shared risk pool consisting of Fulton and Henry Counties. The purpose of the plan is for its members to pool funds or resources to purchase health and dental insurance products and enhance the wellness opportunities for employees.



## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 14 - RISK MANAGEMENT - (Continued)

Each member pays a monthly premium amount, which is established annually by the Board, to Reliance Financial Services ("Reliance"). Reliance is the fiscal agent for the Council and has a trust agreement with the Council to account for all Council finances and assets. The Program is governed by a Board consisting of one representative from each member County's Board of Commissioners. The degree of control exercised by any participating member is limited to its representation on the Board. Upon withdrawal from the Program, a program agreement shall govern the disposition of any contributions by the withdrawing member to each program of the Council in excess of that member's share of the costs of that program.

#### NOTE 15 - PENSION PLANS

##### A. Ohio Public Employees Retirement System

Plan Description - The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and a defined contribution plan. Under the Combined Plan, employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member-Directed Plan. While members in the State and local divisions may participate in all three plans, law enforcement (generally sheriffs, deputy sheriffs and township police) and public safety divisions exist only within the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The Ohio Revised Code provides statutory authority for member and employer contributions. For 2008, member and contribution rates were consistent across all three plans. While members in the State and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Plan. The 2008 member contribution rates were 10.00% for members in State and local classifications. Public safety and law enforcement members contributed 10.10%.

The County's contribution rate for 2008 was 14.00%, except for those plan members in law enforcement or public safety, for whom the County's contribution was 17.40% of covered payroll. For 2008, a portion equal to 7.00% of covered payroll was allocated to fund the post-employment health care plan.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 15 - PENSION PLANS - (Continued)

The County's contribution rate for pension benefits for 2008 was 7.00%, except for those plan members in law enforcement and public safety. For those classifications, the County's pension contributions were 10.40% of covered payroll. The County's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2008, 2007, and 2006 were \$482,990, \$602,308 and \$710,513, respectively; 88.87% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

#### **B. State Teachers Retirement System**

Plan Description - Certified teachers, employed by the school for Mental Retardation and Developmental Disabilities, participate in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.50% of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For 2008, plan members were required to contribute 10.00% of their annual covered salaries. The County was required to contribute 14.00%; 13.00% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

**HENRY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 15 - PENSION PLANS - (Continued)**

The County's required contributions for pension obligations to STRS Ohio for the years ended December 31, 2008, 2007, and 2006 were \$128,861, \$134,163 and \$133,429, respectively; 100% has been contributed for years 2008, 2007 and 2006.

**NOTE 16 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and the Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, Attention: Finance Director, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administrated in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, local government employers contributed 14.00% of covered payroll (17.40% for public safety and law enforcement). Each year the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The amount of the employer contributions which was allocated to fund post-employment healthcare for 2008 was 7.00% of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The County's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$449,415, \$376,519 and \$333,471, respectively; 88.87% has been contributed for 2008 and 100% has been contributed for 2007 and 2006.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### NOTE 16 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Health Care Preservation Plan (HCPP) adopted by the OPERS Board of Trustees on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased as of January 1, 2006, January 1, 2007 and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

#### B. State Teachers Retirement System

Plan Description - The County contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, STRS Ohio allocated employer contributions equal to 1.00% of covered payroll to the Health Care Stabilization Fund. The County's contributions for health care for the years ended December 31, 2008, 2007, and 2006 were \$9,912, \$10,320 and \$10,264, respectively; 100% has been contributed for years 2008, 2007 and 2006.

#### NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures, and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis); and,
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

**HENRY COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008

**NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund and major special revenue funds are as follows:

**Net Change in Fund Balances**

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>	<u>Public Assistance</u>
Budget basis	\$ 41,663	\$ 58,034	\$ 361,814	\$ 287,485	\$ (13,178)
Net adjustment for revenue accruals	54,720	50,447	(295,908)	178,443	(303,558)
Net adjustment for expenditure accruals	158,605	(20,165)	416,732	(89,970)	325,907
Net adjustment for other financing sources/(uses) accruals	(220,095)	-	-	-	-
Encumbrances (budget basis)	<u>36,114</u>	<u>16,100</u>	<u>130,959</u>	<u>38,155</u>	<u>-</u>
GAAP basis	<u>\$ 71,007</u>	<u>\$ 104,416</u>	<u>\$ 613,597</u>	<u>\$ 414,113</u>	<u>\$ 9,171</u>

**NOTE 18 - CONTINGENCIES**

**A. Grants**

The County has received federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the County Commissioners believe such disallowance, if any, will be immaterial.

**B. Litigation**

The County is not party to any legal proceedings which, in the opinion of management, would have a material impact upon the financial statements.

**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.

## HENRY COUNTY, OHIO

### NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### **NOTE 19 - PUBLIC ENTITY RISK POOL - (Continued)**

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 2008 was \$143,083.

#### **NOTE 20 - CONDUIT DEBT OBLIGATIONS**

To provide funds to finance the cost of acquiring, construction, 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 and, accordingly, have not been reported in the accompanying financial statements.

At December 31, 2008, health care facility revenue bonds outstanding aggregated \$3,200,000.

To provide for the acquisition, construction, installation, equipping of certain improvements at the Henry County Hospital and to refund prior bonds, the County has issued a series of Multi-Mode Variable Rate Demand Facilities Improvement Revenue Bonds, Series 2006 on March 1, 2006. These bonds are limited facility improvement obligation bonds of the County, payable solely out of rentals, revenues, and other income, charges and money realized from the use, lease, sale of other disposition of the 2006 Series bonds mentioned in the sublease and sub-sublease. These bonds do not constitute a debt or pledge of the faith and credit of the County or the State, and accordingly, have not been reported in the accompanying financial statements.

The facilities improvement revenue bonds original issue amount was \$10,000,000.

#### **NOTE 21 - 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 \$2,635,925 as of December 31, 2008, which is based on approximately 91.17% usage (filled) of the landfill. It is estimated that an additional \$255,152 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 \$2,891,077 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, 2008. 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.

**HENRY COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 21 - CLOSURE AND POSTCLOSURE CARE COSTS - (Continued)**

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, 2008, cash and cash equivalents of \$1,931,667 are held for these purposes. These investments are held and managed by the County and are presented on the County's financial statements 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.

**NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS**

On March 20, 2009, the County retired the \$35,000 Certificate of Title Building notes and reissued new notes in the amount of \$30,000 at 2.95% with a maturity date of March 18, 2010.

On March 20, 2009, the County retired the \$1,955,000 Courthouse Project at Oakmeadows notes and reissued new notes in the amount of \$990,000 at 2.95% with a maturity date of March 18, 2010.

On March 20, 2009, the County retired the \$105,000 Ridgeville Turn Lane notes and reissued new notes in the amount of \$100,000 at 2.95% with a maturity date of March 18, 2010.

## **SUPPLEMENTARY DATA**



**HENRY COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
(A) Food Donation	10.550	N/A	\$ 4,361
(B)(H) National School Lunch Program	10.555	2008	17,815
Total U.S. Department of Agriculture			22,176
<b>U.S. DEPARTMENT OF COMMERCE NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE</b>			
Public Safety Interoperable Communications	11.555	2007-GS-H7-0053	61,738
Total U.S. Department of Commerce National Telecommunications and Information Administration			61,738
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP</b>			
(F)(G) Community Development Block Grants/State's Program	14.228	B-F-07-032-1	107,000
(F)(G) Community Development Block Grants/State's Program	14.228	B-C-06-032-1	27,500
Total Community Development Block Grant			134,500
HOME Investment Partnerships Program	14.239	B-C-06-032-2	262,474
Total Community Housing Improvement Program			262,474
Total U.S. Department of Housing and Urban Development			396,974
<b>U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES</b>			
(E) WIA Adult Program	17.258	N/A	125,468
Total Workforce Investment Act - Adul			125,468
(E) WIA Youth Activities	17.259	N/A	86,895
Total Workforce Investment Act - Youth Activitie			86,895
(E) WIA Dislocated Workers	17.260	N/A	62,868
Total Workforce Investment Act - Dislocated Worker			62,868
Total Workforce Investment Cluster			275,231
Total U.S. Department of Labor			275,231
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>			
<b>Special Education Cluster:</b>			
(D)(H) Special Education- Grants to States	84.027	2008	53,640
Total Special Education-Grants to States			53,640
(D)(H) Special Education- Preschool Grants	84.173	2008	32,226
Total Special Education- Preschool Grants			32,226
Total Special Education Cluster			85,866
Total U.S. Department of Education			85,866

---(continued)

**HENRY COUNTY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2008**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE AREA OFFICE OF AGING</b>			
Special Programs for the Aging-Title III, Part B- Grants for Supportive Services and Senior Centers	93.044	N/A	29,241
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH QUADCO REHABILITATION CENTER</b>			
Social Services Block Grant	93.667	N/A	5,593
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE OHIO DEVELOPMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES</b>			
Medical Assistance Program - Medicaid Title XIX	93.778	N/A	1,238,535
<b>Total U.S. Department of Health and Human Services</b>			1,273,369
<b>U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE</b>			
Emergency Management Performance & Special Project Equipment Grants	97.042	2008-EM-E8-0002	66,217
Emergency Management Performance & Special Project Equipment Grants	97.042	2007-EM-E7-0085	5,567
<b>Total Emergency Performance &amp; Special Project Equipment Grants</b>			71,784
Citizens Corp Program Grant	97.053	2007-GE-T7-0030	5,202
State Homeland Security Program	97.067	2008-GE-T8-0025	28,453
<b>Total U.S. Department of Federal Emergency Management Disaster Assistance</b>			105,439
<b>Total Federal Financial Assistance</b>			<b>\$ 2,220,793</b>

- (A) The Food Distribution Program is a noncash, in-kind federal grant. Commodities are reported at the entitlement value.
- (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 the cash basis of accounting.
- (D) Included as part of the "Special Education Grant Cluster" in determining major program.
- (E) Included as part of the Workforce Investment Act Cluster and prepared on the accrual basis of accounting.
- (F) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for the loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivable as of 1/1/08:	\$ 881,616
Loans made:	526,000
Loans repaid:	(288,660)
Ending loans receivable balance as of 12/31/08	\$ 1,118,956
Cash balance on hand as of 12/31/08	\$ 333,376
Delinquent amounts due as of 12/31/08	\$ 20,413

- (G) The County has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households and to eligible persons and to rehabilitate homes. The Federal Department of Housing and Urban Development (HUD) grants money for the loans to the County passed through the Ohio Department of Development. The initial loan of this money is recorded as a disbursement on the accompanying Schedule of Federal Awards Expenditures (the "Schedule"). Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as disbursements on the Schedule. These loans are collateralized by mortgages on the property. Activity in the CDBG revolving loan fund during 2008 is as follows:

Beginning loans receivable as of 1/1/08:	\$ 116,173
Loans made:	15,000
Loans repaid:	(28,997)
Ending loans receivable balance as of 12/31/08	\$ 102,176
Cash balance on hand as of 12/31/08	\$ 132,037
Delinquent amounts due as of 12/31/08	\$ 13,661

- (H) OAKS did not assign pass-through numbers for 2008.

Note: Certain federal programs require that the County contribute non-Federal funds (matching funds) to support the Federally-funded program. The County has complied with the matching requirements. The expenditures of non-Federal matching funds are not included on the Schedule.



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, as of and for the year ended December 31, 2008, which collectively comprise Henry County's basic financial statements and have issued our report thereon dated June 24, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henry County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of Henry County's internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Henry County's internal control.

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

Board of Commissioners  
Henry County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henry County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Henry County in a separate letter dated June 24, 2009.

This report is intended solely for the information and use of the management 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.



Julian & Grube, Inc.  
June 24, 2009



**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

**Report on Compliance With Requirements Applicable to Its  
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, Ohio, 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 program for the year ended December 31, 2008. Henry County's major federal program is 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, 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.

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2008.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henry County's internal control over compliance.

Board of Commissioners  
Henry County

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Henry County's internal control.

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

This report is intended solely for the information and use of the management 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.



Julian & Grube, Inc.  
June 24, 2009

**HENRY COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
DECEMBER 31, 2008**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unqualified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<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>	No
<i>(d)(1)(vii)</i>	<i>Major Program (listed):</i>	Medicaid Title XIX, CFDA #93.778
<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 BASIC FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS FOR FEDERAL AWARDS**

None







**Mary Taylor, CPA**  
Auditor of State

**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 23, 2009**