

HENRY COUNTY, OHIO

***BASIC
FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED
DECEMBER 31, 2003***

IDA BOSTELMAN, AUDITOR



**Auditor of State
Betty Montgomery**

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

We have reviewed the Independent Auditor's Report of Henry County, prepared by Trimble, Julian & Grube, Inc., for the audit period January 1, 2003 through December 31, 2003. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

September 16, 2004

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HENRY COUNTY

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 12
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	13
Statement of Activities	14 - 15
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	16 - 17
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19 - 20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - General Fund.....	22
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - Country View Haven.....	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - Motor Vehicle and Gas Tax	24
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non GAAP Budgetary Basis) - County Board of MRDD.....	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Statement of Fiduciary Net Assets - Fiduciary Funds	29
Notes to the Basic Financial Statements.....	30- 67
Supplemental Data	
Schedule of Expenditures of Federal Awards.....	68
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	69 - 70
Report on Compliance With Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance in Accordance With <i>OMB Circular A-133</i>	71 - 72
Schedule of Findings <i>OMB Circular A-133 §.315 (b)</i>	73 - 74
Status of Prior Audit Findings <i>OMB Circular A-133 § .315 (b)</i>	75

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henry County, Ohio, (the “County”), as of and for the year ended December 31, 2003, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As disclosed in Note 3 to the basic financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management’s Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, for the year ended December 31, 2003. In addition, the County had a prior period adjustment for loans receivable, notes payable and property taxes as disclosed in Note 3. As disclosed in Note 10.A., the County had a change in accounting principle for its threshold for capital assets.

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, 2003, 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 and County Board of MRDD 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 August 20, 2004 on our consideration of the County’s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Board of Commissioners
Henry County Auditor
Page 2

The accompanying required supplementary information, such as management's discussion and analysis on pages 3 through 12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was performed for the purpose of forming opinions on the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the County, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 "Trimble, Julian & Grube, Inc." The signature is written in dark ink and is positioned above the typed name of the firm.

Trimble, Julian & Grube, Inc.
August 20, 2004

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

The 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, 2003. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the County's financial performance.

Financial Highlights

Key financial highlights for 2003 are as follows:

- The total net assets of the County increased \$1,628,916. Net assets of governmental activities increased \$1,442,589, which represents a 3.42% increase over fiscal year 2002. Net assets of business-type activities increased \$186,327 or 24.89% from fiscal year 2002.
- General revenues accounted for \$12,646,562 or 48.42% of total governmental activities revenue. Program specific revenues accounted for \$13,471,534 or 51.58% of total governmental activities revenue.
- The County had \$24,518,707 in expenses related to governmental activities; \$13,471,534 of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$12,646,562 were adequate to provide for these programs.
- The County's major funds are the general fund, Country View Haven, Motor Vehicle and Gas Tax fund, County Board of Mental Retardation and Developmentally Disabled (MRDD) and Courthouse Project fund. The general fund, the County's largest major fund, had revenues of \$6,876,379 in 2003, an increase of \$423,949 or 6.57% from 2002 revenues. The general fund had expenditures of \$6,015,506 in 2003, a decrease of \$45,891 or 0.76% from 2002. The decrease in expenditures and increase in revenues contributed to the general fund balance increase of \$215,206 from 2002 to 2003.
- The Country View Haven, a County major fund, had revenues of \$1,398,997 in 2003. The Country View Haven had expenditures of \$1,382,306 in 2003. The Country View Haven fund balance increased \$23,691 from 2002 to 2003.
- The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$3,645,072 in 2003. The Motor Vehicle and Gas Tax fund had expenditures of \$3,383,477 in 2003. The Motor Vehicle and Gas Tax fund balance increased \$261,595 from 2002 to 2003.
- The County Board of MRDD fund, a County major fund, had revenues of \$7,147,373 in 2003. The County Board of MRDD fund had expenditures of \$7,402,997 in 2003. The County Board of MRDD fund balance decreased \$128,908 from 2002 to 2003.
- The Courthouse project fund, a County major fund, had revenues of \$100,147 in 2003. The Courthouse project fund had expenditures of \$1,888,030 in 2003. The Courthouse project fund had proceed from notes of \$2,800,000 in 2003. The Courthouse project fund balance increased \$1,012,117 from 2002 to 2003.
- Net assets for the business-type activities, which include the Sanitary Landfill, Tower, Hahn Center and Monroe Township Landfill Fees enterprise funds, increased in 2003 by \$186,327 or 24.89%.
- In the general fund, the actual revenues came in \$102,270 higher than they were originally budgeted and actual expenditures were \$1,754,165 less than the amount in the original budget. These variances are a result of the County's conservative budgeting process.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Using this 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 five 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 2003?" These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes 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 in Ohio restricting revenue growth, facility conditions, required educational programs 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.

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, 2003 UNAUDITED

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, Motor Vehicle and Gas Tax, County Board of Mental Retardation and Developmentally Disabled (MRDD) and Courthouse Project Fund. The analysis of the County's major governmental and proprietary funds begins on page 9.

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. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report. The basic governmental financial statements can be found on pages 16-25 of this report.

Proprietary Funds

The County maintains two different types of 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 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 26-28 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 29 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 30-67 of this report.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

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 for 2003. Because this is the first year to report all activities using the accrual basis of accounting, a comparison to the prior year is not possible. However, in future years, this section will explain the differences between the current and prior year assets, liabilities, and changes in net assets.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2003</u>	<u>2003</u>	<u>2003</u>
<u>Assets</u>			
Current and other assets	\$ 26,571,703	\$ 1,643,367	\$ 28,215,070
Capital assets	<u>35,166,522</u>	<u>506,067</u>	<u>35,672,589</u>
Total assets	<u>61,738,225</u>	<u>2,149,434</u>	<u>63,887,659</u>
<u>Liabilities</u>			
Long-term liabilities outstanding	8,404,645	1,840,861	10,245,506
Other liabilities	<u>9,770,595</u>	<u>870,722</u>	<u>10,641,317</u>
Total liabilities	<u>18,175,240</u>	<u>2,711,583</u>	<u>20,886,823</u>
<u>Net Assets</u>			
Invested in capital assets, net of debt	28,202,857	-	28,202,857
Restricted	12,141,824	-	12,141,824
Unrestricted	<u>3,218,304</u>	<u>(562,149)</u>	<u>2,656,155</u>
Total net assets	<u>\$ 43,562,985</u>	<u>\$ (562,149)</u>	<u>\$ 43,000,836</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2003, the County's assets exceeded liabilities by \$43,000,836. This amounts to \$43,562,985 in governmental activities and (\$562,149) in business-type activities. The County's finances remained strong during 2003, despite the decline in the economy.

Capital assets reported on the government-wide statements represent the largest portion of the County's net assets. At year-end, capital assets represented 55.84% of total governmental and business-type assets. Capital assets include land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2003, was \$28,202,857. 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.

As of December 31, 2003, the County is able to report positive balances in all three categories of net assets, for its governmental activities.

A portion of the County's net assets, \$12,141,824 or 27.87%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of governmental-activities unrestricted net assets of \$3,218,304 may be used to meet the government's ongoing obligations to citizens and creditors.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

The table below shows the changes in net assets for governmental activities and business-type activities for 2003. Since this is the first year the County has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the prior year are not available. In future years, when prior year information is available, a comparative analysis of government-wide data will be presented. Refer to the following section for discussion of the reasons for the change in net assets during the year.

	Governmental Activities	Business-Type Activities
	2003	2003
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 4,308,209	\$ 1,093,466
Operating grants and contributions	8,977,384	-
Capital grants and contributions	185,941	-
General revenues:		
Property taxes	6,602,328	-
Sales tax	2,877,357	-
Special assessments	245,489	-
Unrestricted grants	1,585,579	-
Investment earnings	369,580	16,917
Other	966,229	17,942
Total revenues	26,118,096	1,128,325
	Governmental Activities	Business-Type Activities
	2003	2003
<u>Expenses</u>		
Program expenses:		
General government	\$ 3,600,067	\$ -
Public safety	2,228,945	-
Public works	3,883,308	-
Health	1,631,236	-
Human services	11,198,977	-
Economic development	465,380	-
Other	1,241,370	-
Interest and fiscal charges	269,424	-
Sanitary Landfill	-	844,327
Tower fund	-	76,862
Hahn Center	-	170,484
Monroe Township Landfill Fees	-	7,125
Total expenses	24,518,707	1,098,798
Change in net assets before transfers	1,599,389	29,527
Transfers	(156,800)	156,800
Increase in net assets	\$ 1,442,589	\$ 186,327

Governmental Activities

Governmental assets increased by \$1,442,589 in 2003 from 2002. This increase is due to increasing revenues and declining expenditures in 2003 compared to 2002. In addition, the county spent approximately \$1,888,030 in courthouse projects during 2003.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Human services, which supports the operations of the Country View Haven and County Board of MRDD, accounts for \$11,198,977 of expenses, or 45.68% of total governmental expenses of the County. These expenses were funded by \$399,937 in charges to users of services in 2003. General government expenses which includes legislative and executive and judicial programs, totaled \$3,600,067 or 14.68% of total governmental expenses. General government expenses were covered by \$1,906,050 of direct charges to users in 2003.

The state and federal government contributed to the County revenues of \$8,977,384 in operating grants and contributions and \$185,941 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions \$6,249,088, or 69.61%, subsidized human services programs.

General revenues totaled \$12,646,562, and amounted to 48.42% of total revenues. These revenues primarily consist of property, sales tax and special assessment revenue of \$9,725,174, or 76.90% of total general revenues in 2003. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government and local government revenue assistance making up \$1,585,579, or 12.54% of the total. In August 2002, the state placed a freeze on local government and local government revenue assistance to be distributed to local governments in 2003.

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 2003 compared to 2002. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements.

Governmental Activities

	Total Cost of Services <u>2003</u>	Net Cost of Services <u>2003</u>
Expenses:		
General government	\$ 3,600,067	\$ 1,589,017
Public safety	2,228,945	1,798,180
Public works	3,883,308	478,989
Health	1,631,236	1,026,140
Human services	11,198,977	4,549,952
Economic development and assistance	465,380	383,926
Other	1,241,370	1,241,370
Interest and fiscal charges	<u>269,424</u>	<u>(20,401)</u>
Total expenses	<u>\$ 24,518,707</u>	<u>\$ 11,047,173</u>

The dependence upon general revenues for governmental activities is apparent, with 45.06% of expenses supported through taxes and other general revenues during 2003.

Business-Type Activities

The Sanitary Landfill, Tower Fund, Hahn Center and Monroe Township Landfill Fees are the County's enterprise funds. These programs had revenues of \$1,128,325, expenses of \$1,098,798 and transfers in of \$156,800 for fiscal year 2003. The business-type activities net assets increased \$186,327 during fiscal year 2003.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

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 16-17) reported a combined fund balance of \$13,884,988, which is \$1,225,551 over last year's total of \$12,659,437. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 for all major and nonmajor governmental funds.

	<u>Fund Balance</u> <u>December 31, 2003</u>	<u>Fund Balance</u> <u>December 31, 2002</u>	<u>Increase</u> <u>(Decrease)</u>
Major Funds:			
General	\$ 2,633,790	\$ 2,418,584	\$ 215,206
Country View Haven Fund	2,136,436	2,112,745	23,691
Motor Vehicle and Gas Tax	1,039,215	777,620	261,595
County Board of MRDD	1,197,354	1,326,262	(128,908)
Courthouse Project	1,024,216	12,099	1,012,117
Other Nonmajor Governmental Funds	<u>5,853,977</u>	<u>6,012,127</u>	<u>(158,150)</u>
Total	<u>\$ 13,884,988</u>	<u>\$ 12,659,437</u>	<u>\$ 1,225,551</u>

General Fund

The general fund is the operating fund of the County. At the end of the fiscal year, the fund balance of the general fund was \$2,633,790, an 8.90% increase from 2002. The increase of the general fund balance in 2003 was primarily due to an increase in revenues of 6.57% in 2003 compared to 2002 and a decrease in expenditures of 0.76% in 2003 compared to 2002. In addition, the general fund made \$645,667 in transfers out to other funds.

Country View Haven Fund

The Country View Haven fund, a County major fund, had revenues of \$1,398,997 in 2003. The Country View Haven fund had expenditures of \$1,382,306 in 2003. The Country View Haven fund balance increased \$23,691 from 2002 to 2003.

Motor Vehicle and Gas Tax Fund

The Motor Vehicle and Gas Tax fund, a County major fund, had revenues of \$3,645,072 in 2003. The Motor Vehicle and Gas Tax fund had expenditures of \$3,383,477 in 2003. The Motor Vehicle and Gas Tax fund balance increased \$261,595 from 2002 to 2003.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

County Board of Mental Retardation and Developmental Disabled (MRDD)

The County Board of MRDD fund, a County major fund, had revenues of \$7,147,373 in 2003. The County Board of MRDD fund had expenditures of \$7,402,997 in 2003. The County Board of MRDD fund balance decreased \$128,908 from 2002 to 2003.

Courthouse Project Fund

The Courthouse project fund, a County major fund, had revenues of \$100,147 in 2003. The Courthouse project fund had expenditures of \$1,888,030 in 2003. The Courthouse project fund had proceeds from notes of \$2,800,000 in 2003. The Courthouse project fund balance increased \$1,012,117 from 2002 to 2003.

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.

Budgetary information is presented for the general fund, Country View Haven, County board of MRDD and motor vehicle license and gas tax. In the general fund, there were no significant changes between the original and final budget. Actual revenues of \$6,635,340 were more than final budgeted revenues by \$102,270 or 1.57%. Another significant difference between the final budget and actual expenditures was a \$1,736,355 or 22.05% decrease in expenditures. Actual expenditures being lower than final budgeted expenditures are a result of the County's conservative budgeting practices.

In the Country View Haven fund, actual revenues of \$1,379,815 were less than final budgeted revenues by \$35,000 or 2.47% and actual expenditures of \$1,410,906 were less than final budgeted expenditures by \$196,932. In the Motor Vehicle and Gas Tax fund, actual revenues of \$3,599,484 were the same as final budgeted revenues and actual expenditures of \$3,488,380 were less than final budgeted expenditures by \$501,971. In the County Board of MRDD fund, actual revenues of \$6,835,843 were less than final budgeted revenues by \$1,043,130 or 13.24% and actual expenditures of \$6,941,717 were less than final budgeted expenditures by \$177,706.

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. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements. Activity within the City's major fund is described below:

Landfill Fund

The Landfill fund, a major proprietary fund, had operating revenues of \$1,011,585 in 2003, an increase of \$192,821 or 23.55% from 2002 revenues. The Landfill fund, had operating expenses of \$827,963 in 2003, an increase of \$46,914 or 5.36% from 2002. The slight increase in operating expenses, and the increase in revenues, contributed to the Landfill fund balance increase of \$214,175 from 2002 to 2003.

HENRY COUNTY, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003
UNAUDITED**

Capital Assets and Debt Administration

Capital Assets

During 2003, the County restated its governmental activities capital assets to include the retroactive infrastructure assets. See Note 3.A. to the basic financial statements for detail. At the end of 2003, the County had \$35,672,589 (net of accumulated depreciation) invested in land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure. Of this total, \$35,166,522 was reported in governmental activities and \$506,067 was reported in business-type activities. The following table shows fiscal 2003 balances compared to 2002:

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Land	\$ 1,732,289	\$ 455,889	\$ 277,435	\$ 277,435	\$ 2,009,724	\$ 733,324
Building and improvements	11,822,721	11,841,207	19,434	20,929	11,842,155	11,862,136
Equipment	541,637	584,078	39,005	41,969	580,642	626,047
Vehicles	2,296,793	2,304,564	170,193	201,152	2,466,986	2,505,716
Infrastructure	17,965,676	17,419,335	-	-	17,965,676	17,419,335
Construction in progress	<u>807,406</u>	<u>219,239</u>	<u>-</u>	<u>-</u>	<u>807,406</u>	<u>219,239</u>
Total	<u>\$ 35,166,522</u>	<u>\$ 32,824,312</u>	<u>\$ 506,067</u>	<u>\$ 541,485</u>	<u>\$ 35,672,589</u>	<u>\$ 33,365,797</u>

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

Debt Administration

At December 31, 2003 the County had \$10,175,147 in general obligation bonds, special assessment bonds, revenue bonds, OWDA loans, mortgage loan, capital leases, notes payable, estimated liability for landfill/post closure and compensated absences payable outstanding. Of this total \$4,051,899 is due within one year and \$6,193,607 is due within greater than one year. The following table summarizes the outstanding debt at year end.

HENRY COUNTY, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2003 UNAUDITED

Outstanding Debt, at Year End

	Governmental Activities <u>2003</u>	Business-type Activities <u>2003</u>	Total <u>2003</u>
Long-Term Obligations			
General obligation bonds	\$ 982,000	\$ -	\$ 982,000
Special assessment bonds	300,658	-	300,658
Revenue bonds	2,153,000	-	2,153,000
OWDA loans	617,040	-	617,040
Mortgage loan	95,196	-	95,196
Capital lease	25,967	-	25,967
Notes payable	2,885,000	-	2,885,000
Estimated liability for landfill closure/post closure	-	1,827,724	1,827,724
Compensated absences payable	<u>1,345,784</u>	<u>13,137</u>	<u>1,358,921</u>
Total	<u>\$ 8,404,645</u>	<u>\$ 1,840,861</u>	<u>\$ 10,245,506</u>

At December 31, 2003 the County's overall legal debt margin was \$9,178,247 with an unvoted debt margin of \$4,615,258. See Note 14 to the basic financial statements for detail on governmental activities and business-type activities long term debt.

Economic Factors and Next Year's Budgets and Rates

The following economic factors were taken into consideration in preparing the budget for fiscal year 2004.

The County's unemployment rate is currently 6.1%, compared to the 6.1% state average and 5.8% national average.

State funding, sales and investment earnings are expected to decline, but our sales tax revenue is up.

These economic factors were considered in preparing the County's budget for fiscal year 2004. Budgeted revenues and other financing sources in the general fund for fiscal year 2004 is \$8,423,734. With the continuation of conservative budgeting practices, the County's financial position should remain strong 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 Ida Bostelman, Henry County Auditor, Courthouse, 660 N. Perry Street, P.O. Box 546, Napoleon, Ohio 43545.

**BASIC
FINANCIAL STATEMENTS**

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HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
DECEMBER 31, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents.	\$ 12,511,855	\$ 455,948	\$ 12,967,803
Cash in segregated accounts	44,380	-	44,380
Investments.	290,000	-	290,000
Receivables (net of allowances for uncollectibles)			
Sales taxes	602,574	-	602,574
Real estate and other taxes	6,736,989	-	6,736,989
Accounts.	47,760	87,986	135,746
Due from other governments.	3,919,658	1,479	3,921,137
Special assessments	596,210		596,210
Accrued interest	42,801	-	42,801
Loans receivable.	1,584,974		1,584,974
Prepayments.	51,467	-	51,467
Materials and supplies inventory	143,035	122	143,157
Restricted assets:			
Equity in pooled cash and cash equivalents.	-	1,097,832	1,097,832
Capital assets:			
Land and construction-in-progress	2,539,695	277,435	2,817,130
Depreciable capital assets, net	32,626,827	228,632	32,855,459
Total capital assets, net	<u>35,166,522</u>	<u>506,067</u>	<u>35,672,589</u>
Total assets	<u>61,738,225</u>	<u>2,149,434</u>	<u>63,887,659</u>
Liabilities:			
Accounts payable.	775,659	73,321	848,980
Contracts payable	252,688	-	252,688
Retainage payable	46,346	-	46,346
Accrued wages and benefits	579,727	1,823	581,550
Pension obligation payable	140,172	1,812	141,984
Due to other governments	368,336	4,679	373,015
Deferred revenue	7,463,174	-	7,463,174
Deposits held and due to others	22,048	-	22,048
Amounts to be repaid to claimants	20,905	-	20,905
Accrued interest payable	101,540	19,087	120,627
Notes payable	-	770,000	770,000
Long-term liabilities:			
Due within one year.	4,045,738	6,161	4,051,899
Due in more than one year	4,358,907	1,834,700	6,193,607
Total liabilities	<u>18,175,240</u>	<u>2,711,583</u>	<u>20,886,823</u>
Net assets:			
Invested in capital assets, net of related debt	28,202,857	-	28,202,857
Restricted for:			
Debt service	1,912,628	-	1,912,628
Capital projects	1,795,678	-	1,795,678
Public works projects.	1,564,428	-	1,564,428
Human services programs	2,237,782	-	2,237,782
Health programs	2,269,186	-	2,269,186
Other purposes	2,362,122	-	2,362,122
Unrestricted	<u>3,218,304</u>	<u>(562,149)</u>	<u>2,656,155</u>
Total net assets	<u>\$ 43,562,985</u>	<u>\$ (562,149)</u>	<u>\$ 43,000,836</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government:				
Legislative and executive	\$ 2,615,518	\$ 1,338,691	\$ 105,000	\$ -
Judicial	984,549	567,359	-	-
Public safety	2,228,945	233,572	197,193	-
Public works	3,883,308	934,973	2,283,405	185,941
Health	1,631,236	543,852	61,244	-
Human services	11,198,977	399,937	6,249,088	-
Economic development and assistance	465,380	-	81,454	-
Other	1,241,370	-	-	-
Interest and fiscal charges	269,424	289,825	-	-
Total governmental activities	<u>24,518,707</u>	<u>4,308,209</u>	<u>8,977,384</u>	<u>185,941</u>
Business-Type Activities:				
Sanitary Landfill	844,327	993,643	-	-
Nonmajor:				
Tower Fund	76,862	30,008	-	-
Hahn Center	170,484	62,430	-	-
Monroe Township Landfill Fees	7,125	7,385	-	-
Total business-type activities	<u>1,098,798</u>	<u>1,093,466</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 25,617,505</u>	<u>\$ 5,401,675</u>	<u>\$ 8,977,384</u>	<u>\$ 185,941</u>

General Revenues:

Property taxes levied for:

- General fund
- Human services - County Board of MRDD
- Human services - Country View Haven
- Public works - Courthouse Improvement
- Sales taxes
- Special assessments
- Grants and entitlements not restricted to specific programs
- Investment earnings
- Miscellaneous

Total general revenues

Transfers

Change in net assets

Net assets at beginning of year (restated)

Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		
Governmental Activities	Business-Type Activities	Total
\$ (1,171,827)	\$ -	\$ (1,171,827)
(417,190)	-	(417,190)
(1,798,180)	-	(1,798,180)
(478,989)	-	(478,989)
(1,026,140)	-	(1,026,140)
(4,549,952)	-	(4,549,952)
(383,926)	-	(383,926)
(1,241,370)	-	(1,241,370)
20,401	-	20,401
<u>(11,047,173)</u>	<u>-</u>	<u>(11,047,173)</u>
-	149,316	149,316
-	(46,854)	(46,854)
-	(108,054)	(108,054)
-	260	260
<u>-</u>	<u>(5,332)</u>	<u>(5,332)</u>
<u>(11,047,173)</u>	<u>(5,332)</u>	<u>(11,052,505)</u>
1,723,650	-	1,723,650
3,375,226	-	3,375,226
859,170	-	859,170
644,282	-	644,282
2,877,357	-	2,877,357
245,489	-	245,489
1,585,579	-	1,585,579
369,580	16,917	386,497
966,229	17,942	984,171
12,646,562	34,859	12,681,421
<u>(156,800)</u>	<u>156,800</u>	<u>-</u>
1,442,589	186,327	1,628,916
<u>42,120,396</u>	<u>(748,476)</u>	<u>41,371,920</u>
<u>\$ 43,562,985</u>	<u>\$ (562,149)</u>	<u>\$ 43,000,836</u>

HENRY COUNTY, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2003

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,372,834	\$ 2,214,239	\$ 613,124
Cash in segregated accounts	-	246	-
Investments	-	-	-
Receivables (net of allowance for uncollectibles):			
Sales taxes	602,574	-	-
Real estate and other taxes	1,973,943	838,753	-
Accounts	5,773	-	6,668
Special assessments	-	-	-
Due from other funds	3,022	-	5,503
Due from other governments	462,609	32,408	2,678,040
Accrued interest	37,634	-	776
Interfund loans	8,500	-	-
Loans receivable	-	-	-
Prepayments	5,808	-	-
Materials and supplies inventory	38,767	-	79,023
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,511,464</u>	<u>\$ 3,085,646</u>	<u>\$ 3,383,134</u>
Liabilities:			
Accounts payable	\$ 52,418	\$ 12,688	\$ 13,328
Contracts payable	24,260	-	22,857
Retainage payable	-	-	-
Accrued wages and benefits	177,699	52,203	57,732
Due to other funds	3,033	92	190
Due to other governments	15,625	-	1,045
Pension obligation	45,699	13,066	17,348
Interfund loan payable	-	-	-
Deposits held and due to others	-	-	-
Deferred revenue	2,538,035	871,161	2,231,419
Accrued interest payable	-	-	-
Amount to be repaid to claimants	20,905	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>2,877,674</u>	<u>949,210</u>	<u>2,343,919</u>
Fund Balances:			
Reserved for encumbrances	3,526	9,337	42,323
Reserved for prepayments	5,808	-	-
Reserved for materials and supplies inventory	38,767	-	79,023
Reserved for loans	-	-	-
Unreserved, undesignated, reported in:			
General fund	2,585,689	-	-
Special revenue funds	-	2,127,099	917,869
Debt service fund	-	-	-
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>2,633,790</u>	<u>2,136,436</u>	<u>1,039,215</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 5,511,464</u>	<u>\$ 3,085,646</u>	<u>\$ 3,383,134</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>County Board of MRDD</u>	<u>Courthouse Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,675,466	\$ 1,051,647	\$ 4,584,545	\$ 12,511,855
22,086	-	22,048	44,380
-	-	290,000	290,000
-	-	-	602,574
3,295,343	-	628,950	6,736,989
2,576	-	32,743	47,760
-	-	596,210	596,210
-	-	-	8,525
596,255	-	150,346	3,919,658
-	-	4,391	42,801
-	-	-	8,500
-	-	1,584,974	1,584,974
43,122	-	2,537	51,467
13,769	-	11,476	143,035
<u>\$ 5,648,617</u>	<u>\$ 1,051,647</u>	<u>\$ 7,908,220</u>	<u>\$ 26,588,728</u>
\$ 342,108	\$ -	\$ 355,117	\$ 775,659
28,205	27,431	174,195	276,948
22,086	-	-	22,086
177,795	-	114,298	579,727
-	-	5,210	8,525
316,292	-	35,374	368,336
35,538	-	28,521	140,172
-	-	8,500	8,500
-	-	22,048	22,048
3,529,239	-	1,308,724	10,478,578
-	-	2,256	2,256
-	-	-	20,905
<u>4,451,263</u>	<u>27,431</u>	<u>2,054,243</u>	<u>12,703,740</u>
170	12,431	158,776	226,563
43,122	-	2,537	51,467
13,769	-	11,476	143,035
-	-	1,584,974	1,584,974
-	-	-	2,585,689
1,140,293	-	1,979,129	6,164,390
-	-	1,820,564	1,820,564
-	1,011,785	296,521	1,308,306
<u>1,197,354</u>	<u>1,024,216</u>	<u>5,853,977</u>	<u>13,884,988</u>
<u>\$ 5,648,617</u>	<u>\$ 1,051,647</u>	<u>\$ 7,908,220</u>	<u>\$ 26,588,728</u>

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HENRY COUNTY, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Total governmental fund balances		\$ 13,884,988
<i>Amounts reported for governmental activities in 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.		35,166,522
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Sales taxes	\$ 249,731	
Special assessments	596,210	
Intergovernmental revenues	2,138,544	
Interest revenue	30,919	
Total		3,015,404
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	(982,000)	
Special assessment bonds	(300,658)	
OWDA loan payable	(617,040)	
Revenue bonds payable	(2,153,000)	
Mortgage loan payable	(95,196)	
Notes payable	(2,885,000)	
Compensated absences	(1,345,784)	
Capital leases payable	(25,967)	
Accrued interest payable	(99,284)	
Total		(8,503,929)
Net assets of governmental activities		\$ 43,562,985

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, 2003

	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicle and Gas Tax</u>	<u>County Board of MRDD</u>
Revenues:				
Property and other taxes	\$ 2,020,881	\$ 859,170	\$ -	\$ 3,375,226
Sales taxes	2,283,112	-	344,514	-
Charges for services	966,750	406,473	879,799	208,170
Licenses and permits	3,227	-	-	-
Fines and forfeitures	86,166	-	55,174	-
Intergovernmental	962,986	79,732	2,246,997	3,266,670
Special assessments	-	-	-	-
Investment income	283,559	-	12,110	-
Rental income	-	31,793	-	-
Other	269,698	21,829	106,478	297,307
Total revenues	<u>6,876,379</u>	<u>1,398,997</u>	<u>3,645,072</u>	<u>7,147,373</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,308,346	-	-	-
Judicial	833,956	-	-	-
Public safety	1,839,381	-	-	-
Public works	519,173	-	3,383,477	-
Health	33,455	1,382,306	-	-
Human services	280,154	-	-	6,735,845
Economic development and assistance	213	-	-	-
Other	1,187,313	-	-	-
Capital outlay	13,515	-	-	659,659
Debt service:				
Principal retirement	-	-	-	5,553
Interest and fiscal charges	-	-	-	1,940
Total expenditures	<u>6,015,506</u>	<u>1,382,306</u>	<u>3,383,477</u>	<u>7,402,997</u>
Excess (deficiency) of revenues over (under) expenditures	<u>860,873</u>	<u>16,691</u>	<u>261,595</u>	<u>(255,624)</u>
Other financing sources (uses):				
Proceeds from sale of bonds	-	-	-	-
Proceeds of notes	-	-	-	-
Proceeds of loans	-	-	-	100,000
Proceeds from capital lease transaction	-	-	-	26,716
Transfers in	-	7,000	-	-
Transfers out	(645,667)	-	-	-
Total other financing sources (uses)	<u>(645,667)</u>	<u>7,000</u>	<u>-</u>	<u>126,716</u>
Net change in fund balances	215,206	23,691	261,595	(128,908)
Fund balances at beginning of year (restated)	<u>2,418,584</u>	<u>2,112,745</u>	<u>777,620</u>	<u>1,326,262</u>
Fund balances at end of year	<u>\$ 2,633,790</u>	<u>\$ 2,136,436</u>	<u>\$ 1,039,215</u>	<u>\$ 1,197,354</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Courthouse Project	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 644,282	\$ 6,899,559
-	-	2,627,626
100,147	919,902	3,481,241
-	-	3,227
-	55,629	196,969
-	4,172,746	10,729,131
-	268,750	268,750
-	79,192	374,861
-	289,825	321,618
-	259,423	954,735
<u>100,147</u>	<u>6,689,749</u>	<u>25,857,717</u>
-	689,467	1,997,813
-	132,305	966,261
-	336,846	2,176,227
-	87,756	3,990,406
-	280,376	1,696,137
-	4,044,050	11,060,049
-	465,167	465,380
-	37,905	1,225,218
1,888,030	462,997	3,024,201
-	759,362	764,915
-	211,502	213,442
<u>1,888,030</u>	<u>7,507,733</u>	<u>27,580,049</u>
<u>(1,787,883)</u>	<u>(817,984)</u>	<u>(1,722,332)</u>
-	27,000	27,000
2,800,000	85,000	2,885,000
-	65,967	165,967
-	-	26,716
-	508,645	515,645
-	(26,778)	(672,445)
<u>2,800,000</u>	<u>659,834</u>	<u>2,947,883</u>
1,012,117	(158,150)	1,225,551
12,099	6,012,127	12,659,437
<u>\$ 1,024,216</u>	<u>\$ 5,853,977</u>	<u>\$ 13,884,988</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, 2003

Net change in fund balances - total governmental funds	\$ 1,225,551
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays (\$4,278,979) exceeded depreciation expense (\$1,888,069) in the current period.	2,390,910
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.	(48,700)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	260,379
Proceeds of capital lease transactions, bonds and loans are other financing sources in the governmental funds, however these activities increase long-term liabilities on the statement of net assets.	(3,104,683)
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.	764,915
In the statement of activities, interest is accrued on outstanding outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due.	(55,982)
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.	<u>10,199</u>
Change in net assets of governmental activities	<u><u>\$ 1,442,589</u></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)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Property and other taxes.	\$ 1,923,235	\$ 1,882,876	\$ 1,912,350	\$ 29,474
Sales taxes.	2,305,021	2,256,650	2,291,976	35,326
Charges for services.	987,679	966,952	982,089	15,137
Licenses and permits	3,245	3,177	3,227	50
Fines and forfeitures	86,424	84,610	85,935	1,325
Intergovernmental.	941,681	1,058,259	1,074,825	16,566
Investment income	284,205	278,241	282,597	4,356
Other	1,579	2,305	2,341	36
Total revenues.	<u>6,533,069</u>	<u>6,533,070</u>	<u>6,635,340</u>	<u>102,270</u>
Expenditures:				
Current:				
General government:				
Legislative and executive	1,682,059	1,678,265	1,308,282	369,983
Judicial.	1,088,144	1,085,689	846,343	239,346
Public safety	2,368,358	2,363,015	1,842,076	520,939
Public works	702,380	700,795	546,301	154,494
Health	33,178	33,103	25,805	7,298
Human services	363,910	363,089	283,044	80,045
Other	1,638,629	1,634,932	1,274,503	360,429
Capital outlay.	17,376	17,337	13,515	3,822
Total expenditures.	<u>7,894,034</u>	<u>7,876,225</u>	<u>6,139,869</u>	<u>1,736,356</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,360,965)</u>	<u>(1,343,155)</u>	<u>495,471</u>	<u>1,838,626</u>
Other financing sources (uses):				
Transfers in.	9,000	9,000	-	(9,000)
Transfers out	-	(107,962)	(639,789)	(531,827)
Advances out.	-	-	(8,500)	(8,500)
Other financing sources	397,726	397,726	267,166	(130,560)
Total other financing sources (uses)	<u>406,726</u>	<u>298,764</u>	<u>(381,123)</u>	<u>(679,887)</u>
Net change in fund balance.	(954,239)	(1,044,391)	114,348	1,158,739
Fund balance at beginning of year (restated). . .	1,890,749	1,890,749	1,890,749	-
Prior year encumbrances appropriated	<u>87,785</u>	<u>87,785</u>	<u>87,785</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,024,295</u>	<u>\$ 934,143</u>	<u>\$ 2,092,882</u>	<u>\$ 1,158,739</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 833,656	\$ 833,656	\$ 813,033	\$ (20,623)
Charges for services	444,468	444,468	433,473	(10,995)
Intergovernmental	81,755	81,755	79,732	(2,023)
Rental income	32,599	32,599	31,793	(806)
Other	<u>22,337</u>	<u>22,337</u>	<u>21,784</u>	<u>(553)</u>
Total revenues	<u>1,414,815</u>	<u>1,414,815</u>	<u>1,379,815</u>	<u>(35,000)</u>
Expenditures:				
Current:				
Health	<u>1,499,882</u>	<u>1,607,838</u>	<u>1,410,906</u>	<u>196,932</u>
Total expenditures	<u>1,499,882</u>	<u>1,607,838</u>	<u>1,410,906</u>	<u>196,932</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(85,067)</u>	<u>(193,023)</u>	<u>(31,091)</u>	<u>161,932</u>
Other financing sources (uses):				
Transfers in	-	5,000	35,000	30,000
Transfers out	<u>-</u>	<u>-</u>	<u>(62,000)</u>	<u>(62,000)</u>
Total other financing sources (uses)	<u>-</u>	<u>5,000</u>	<u>(27,000)</u>	<u>(32,000)</u>
Net change in fund balance.	(85,067)	(188,023)	(58,091)	129,932
Fund balance at beginning of year	2,140,554	2,140,554	2,140,554	-
Prior year encumbrances appropriated	<u>15,891</u>	<u>15,891</u>	<u>15,891</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,071,378</u>	<u>\$ 1,968,422</u>	<u>\$ 2,098,354</u>	<u>\$ 129,932</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, 2003

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Sales taxes	\$ 344,514	\$ 344,514	\$ 344,514	\$ -
Charges for services	879,799	879,799	879,799	-
Fines and forfeitures	59,688	59,688	59,688	-
Intergovernmental	2,101,437	2,203,942	2,203,942	-
Investment income	11,999	11,999	11,999	-
Other	202,047	99,542	99,542	-
Total revenues	<u>3,599,484</u>	<u>3,599,484</u>	<u>3,599,484</u>	<u>-</u>
Expenditures:				
Current:				
Public works	3,990,351	3,990,351	3,488,380	501,971
Total expenditures	<u>3,990,351</u>	<u>3,990,351</u>	<u>3,488,380</u>	<u>501,971</u>
Net change in fund balance.	(390,867)	(390,867)	111,104	501,971
Fund balance at beginning of year	396,544	396,544	396,544	-
Prior year encumbrances appropriated	<u>30,351</u>	<u>30,351</u>	<u>30,351</u>	<u>-</u>
Fund balance at end of year	<u>\$ 36,028</u>	<u>\$ 36,028</u>	<u>\$ 537,999</u>	<u>\$ 501,971</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, 2003

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 3,681,733	\$ 3,681,733	\$ 3,194,293	\$ (487,440)
Charges for services	1,709,496	239,936	208,170	(31,766)
Intergovernmental	2,448,687	3,918,247	3,399,494	(518,753)
Other	39,057	39,057	33,886	(5,171)
Total revenues	<u>7,878,973</u>	<u>7,878,973</u>	<u>6,835,843</u>	<u>(1,043,130)</u>
Expenditures:				
Current:				
Human services	6,258,910	6,508,910	6,336,979	171,931
Capital outlay	<u>610,513</u>	<u>610,513</u>	<u>604,738</u>	<u>5,775</u>
Total expenditures	<u>6,869,423</u>	<u>7,119,423</u>	<u>6,941,717</u>	<u>177,706</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,009,550</u>	<u>759,550</u>	<u>(105,874)</u>	<u>(865,424)</u>
Other financing sources:				
Proceeds of loans	-	-	100,000	100,000
Total other financing sources	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Net change in fund balance	1,009,550	759,550	(5,874)	(765,424)
Fund balance at beginning of year	1,259,401	1,259,401	1,259,401	-
Prior year encumbrances appropriated	<u>22,500</u>	<u>22,500</u>	<u>22,500</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,291,451</u>	<u>\$ 2,041,451</u>	<u>\$ 1,276,027</u>	<u>\$ (765,424)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 DECEMBER 31, 2003

	Business-Type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents.	\$ 305,890	\$ 150,058	\$ 455,948
Receivables (net of allowance for uncollectibles):			
Accounts	87,986	-	87,986
Accrued interest	1,479	-	1,479
Restricted assets:			
Equity in pooled cash and cash equivalents	1,097,832	-	1,097,832
Materials and supplies inventory	122	-	122
Total current assets	<u>1,493,309</u>	<u>150,058</u>	<u>1,643,367</u>
Noncurrent assets:			
Capital assets:			
Land	277,435	-	277,435
Depreciable capital assets, net	228,632	-	228,632
Total capital assets, net	<u>506,067</u>	<u>-</u>	<u>506,067</u>
Total noncurrent assets	<u>506,067</u>	<u>-</u>	<u>506,067</u>
Total assets	<u>1,999,376</u>	<u>150,058</u>	<u>2,149,434</u>
Liabilities:			
Current liabilities:			
Accounts payable.	33,467	39,854	73,321
Compensated absences payable.	6,161	-	6,161
Accrued wages and benefits	1,823	-	1,823
Due to other governments	5,800	691	6,491
Accrued interest payable	12,580	6,507	19,087
Notes payable	545,000	225,000	770,000
Total current liabilities	<u>604,831</u>	<u>272,052</u>	<u>876,883</u>
Long-term liabilities:			
Compensated absences.	6,976	-	6,976
Estimated accrued liability for landfill closure and post closure costs	1,827,724	-	1,827,724
Total long-term liabilities	<u>1,834,700</u>	<u>-</u>	<u>1,834,700</u>
Total liabilities	<u>2,439,531</u>	<u>272,052</u>	<u>2,711,583</u>
Net assets:			
Unrestricted.	<u>(440,155)</u>	<u>(121,994)</u>	<u>(562,149)</u>
Total net assets	<u>\$ (440,155)</u>	<u>\$ (121,994)</u>	<u>\$ (562,149)</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, 2003

	Business-type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Operating revenues:			
Charges for services	\$ 993,643	\$ 99,823	\$ 1,093,466
Other	17,942	-	17,942
Total operating revenues	<u>1,011,585</u>	<u>99,823</u>	<u>1,111,408</u>
Operating expenses:			
Personal services	179,178	-	179,178
Contract services	41,619	6,026	47,645
Materials and supplies	197,351	118,683	316,034
Depreciation	46,467	-	46,467
Landfill closure and postclosure care costs	166,466	-	166,466
Utilities	3,682	30,957	34,639
Other	193,200	90,340	283,540
Total operating expenses.	<u>827,963</u>	<u>246,006</u>	<u>1,073,969</u>
Operating income (loss)	<u>183,622</u>	<u>(146,183)</u>	<u>37,439</u>
Nonoperating revenues (expenses):			
Interest revenue	16,917	-	16,917
Interest expense and fiscal charges	(16,364)	(8,465)	(24,829)
Total nonoperating revenues (expenses)	<u>553</u>	<u>(8,465)</u>	<u>(7,912)</u>
Income (loss) before transfers	184,175	(154,648)	29,527
Transfers in.	<u>30,000</u>	<u>126,800</u>	<u>156,800</u>
Change in net assets	214,175	(27,848)	186,327
Net assets (deficit) at beginning of year (restated) .	<u>(654,330)</u>	<u>(94,146)</u>	<u>(748,476)</u>
Net assets (deficit) at end of year	<u>\$ (440,155)</u>	<u>\$ (121,994)</u>	<u>\$ (562,149)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2003

	Business-Type Activities - Enterprise Funds		
	Sanitary Landfill	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sales/service charges	\$ 909,573	\$ 99,823	\$ 1,009,396
Cash received from other operating revenue	14,421	-	14,421
Cash payments for personal services	(184,026)	-	(184,026)
Cash payments for contract services	(41,619)	(6,026)	(47,645)
Cash payments for materials and supplies	(197,427)	(118,683)	(316,110)
Cash payments for utilities	(3,682)	(30,957)	(34,639)
Cash payments for other expenses.	(193,877)	(50,803)	(244,680)
Net cash provided by (used in) operating activities. . .	<u>303,363</u>	<u>(106,646)</u>	<u>196,717</u>
Cash flows from noncapital financing activities:			
Transfers out to other funds.	(51,773)	-	(51,773)
Transfers in from other funds.	81,773	126,800	208,573
Net cash provided by noncapital financing activities. . .	<u>30,000</u>	<u>126,800</u>	<u>156,800</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(11,049)	-	(11,049)
Principal retirement on notes.	(580,000)	(300,000)	(880,000)
Proceeds of notes	545,000	225,000	770,000
Interest and fiscal charges.	(16,773)	(8,676)	(25,449)
Net cash used in capital and related financing activities	<u>(62,822)</u>	<u>(83,676)</u>	<u>(146,498)</u>
Cash flows from investing activities:			
Interest received	16,905	-	16,905
Net cash provided by investing activities	<u>16,905</u>	<u>-</u>	<u>16,905</u>
Net increase (decrease) in cash and cash equivalents	287,446	(63,522)	223,924
Cash and cash equivalents at beginning of year	<u>1,116,276</u>	<u>213,580</u>	<u>1,329,856</u>
Cash and cash equivalents at end of year	<u>\$ 1,403,722</u>	<u>\$ 150,058</u>	<u>\$ 1,553,780</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 183,622	\$ (146,183)	\$ 37,439
Adjustments:			
Depreciation	46,476	-	46,476
Changes in assets and liabilities:			
(Increase) in accounts receivable.	(87,601)	-	(87,601)
(Increase) in materials and supplies inventory.	(76)	-	(76)
Increase in accounts payable	2,894	38,846	41,740
(Decrease) in accrued wages and benefits	(4,480)	-	(4,480)
Increase (decrease) in due to other governments	(7,195)	691	(6,504)
Increase in landfill closure and postclosure care liability	166,466	-	166,466
Increase in compensated absences payable.	3,257	-	3,257
Net cash provided by (used in) operating activities	<u>\$ 303,363</u>	<u>\$ (106,646)</u>	<u>\$ 196,717</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2003

	<u>Agency</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 3,662,931
Cash in segregated accounts	248,928
Receivables:	
Real estate and other taxes.	21,897,040
Due from other governments	342,425
Special assessments	<u>431,491</u>
Total assets	<u>\$ 26,582,815</u>
 Liabilities:	
Due to other governments.	\$ 26,333,887
Deposits held and due to others	<u>248,928</u>
Total liabilities	<u>\$ 26,582,815</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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 business-type activities and enterprise 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 enterprise 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". 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 Statement No. 14 was evaluated based on financial accountability, the nature and significance of the potential component unit's (PCU) relationship with the County and whether exclusion would cause the County's 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:

JOINTLY GOVERNED ORGANIZATIONS

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

MVPO is governed by a Board consisting of fifteen members. The Board is made up of one County Commissioner from each member county as well as one township representative and one municipal representative for each of the five member counties. The main sources of revenue are fees charged by MVPO to administer CDBG grants and a per capita amount from each county. In 2003, the County paid administrative fees of \$2,045 per capita charges of \$62,060 to MVPO.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

Defiance-Fulton-Henry Counties Council - The County is a member of the Defiance-Fulton-Henry Counties Council (the "Council") which is a jointly governed organization between Defiance, Fulton and Henry Counties. The Council was formed under Ohio Revised Code Section 167.04 as a regional council of governments. The purpose of the Council is to foster cooperation among the three member counties in all areas of services. Total expenditures made by the County to the Council in 2003 were \$1,321,504. Henry County acts as the fiscal agent for the Council.

JOINT VENTURES - WITHOUT EQUITY INTEREST

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

The Corrections Commission is governed by a Commission Team made up of 18 members. These members consist of one judge, one chief law enforcement officer, and one county commissioner or administrative official from each entity. Sources of revenue include operating costs and capital costs contributed by Members and rental revenue. The County does not have an explicit, measurable right to the net resources of the Commission. Total expenditures made by the County to the Corrections Commission in 2003 were \$730,756. Complete financial statements for the Corrections Commission can be obtained from the Corrections Commission's administrative office on County Road 24 in Stryker, Ohio.

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

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

The main sources of revenue for the Board are state and federal grants, and a property tax levy covering the entire four county area. Outside agencies are contracted by the Board to provide services for the Board. The Board operates autonomously from the County and the County has no financial responsibility for the operations of the Board. The County does have indirect access to the net resources of the Board. In the event the County withdrew from the Board, it would be entitled to a share of state and federal grants that is currently being received by the Board. This access to the net resources of the Board has not been explicitly defined, nor is it currently measurable. Total expenditures made by the County to the ADAMHS Board in 2003 were \$602,085. Complete financial statements for the Board can be obtained from the Board at its offices located at State Routes 34 and 66, Archbold, Ohio.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

Quadco is governed by an eight-member board composed of two appointees made by each of the four County Boards of Mental Retardation and Developmental Disabilities (County Boards of MR/DD). This board, in conjunction with the County Boards of MRDD assess the need of the adult mentally retarded and developmentally disabled residents in each County and set priorities based on available funds. The County provides subsidies to the Board based on units of service provided to it. For the year ended December 31, 2003, the County remitted \$854,726 to Quadco to supplement its operations.

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

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

NWOJDD is governed and operated by a thirteen member board of trustees consisting of three trustees from each county and one at large member. Revenue sources are from member counties and rental revenue. The County has no ongoing financial responsibility for NWOJDD. Total expenditures made by the County to NWOJDD in 2003 were \$179,369. Defiance County acts as the fiscal agent for NWOJDD.

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.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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.

All enterprise 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 enterprise activities.

Enterprise 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 enterprise funds include personnel and other expenses related to the operations of the enterprise 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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.

Country View Haven - This fund accounts for taxes and state grants, as well as charges for services and related expenditures of the Country View Haven.

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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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.

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.

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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal 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 period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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.

Deferred Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Delinquent property taxes and property taxes for which there is an enforceable legal claim as of December 31, 2003, but which were levied to finance 2004 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met also are recorded as deferred revenue.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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.

E. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriation Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified.

All funds, other than agency funds, are required to be budgeted and appropriated. The primary level of budgetary control is at the fund level. Budgetary modifications may only be made by resolution of the County Commissioners.

Tax Budget - A budget of estimated cash receipts and disbursements is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the Tax Budget is to reflect the need for existing (or increased) tax rates.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the County by September 1. As part of this certification, the County receives the official Certificate of Estimated Resources, which states the projected revenue of each fund.

On or about January 1, the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the County Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the budgetary statements represent estimates from the original and final amended certificates issued during 2003.

Appropriations - A temporary appropriation resolution to control cash disbursements may be passed on or about January 1 of each year for the period January 1 to March 31. An annual Appropriation Resolution must be passed by April 1 of each year for the period January 1 to December 31. The Appropriation Resolution may be amended or supplemented during the year as new information becomes available. Appropriations may not exceed estimated resources. The County legally adopted several supplemental appropriations during the year. The amounts set forth in the budgetary statements represent estimates.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Lapsing of Appropriations - At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the County is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the County's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents" (both unrestricted and restricted) and "Investments" on the financial statements.

During fiscal year 2003, investments were limited to repurchase agreements and nonnegotiable certificates of deposit. Nonparticipating investment contracts, such as repurchase agreements and certificates of deposit, are reported at cost.

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 fiscal year 2003 amounted to \$283,559 which includes \$236,493 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 Treasurer'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, inventories are presented at the lower of cost or market 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 enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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. During 2003, County increased the capitalization threshold from \$500 to \$5,000, (see Note 10 for the restatement of capital assets). 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 are not also capitalized for the governmental activities.

All reported capital assets are depreciated except for land and construction in process. 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. 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	-

Interest is capitalized on enterprise fund assets acquired with tax-exempt debt. The County's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period.

Capitalized interest is amortized on the straight-line method over the estimated useful life of the asset. For 2003, the net interest expense incurred on proprietary fund construction projects was not material.

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 are attributable to services already rendered and are not contingent on a specific event that is outside the control of the County and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for sick leave is based on the sick leave accumulated at December 31, 2003, 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, 2003, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

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 enterprise 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, 2003, 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.

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, special termination benefits and contractually required pension contributions 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

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal 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. 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". The County had no internal balances at year-end.

Advances between funds, as reported in the governmental fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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, and loans receivable as reservations of fund balance in the governmental fund financial statements.

N. Contributions of Capital

Contributions of capital in enterprise fund financial statements arise from outside contributions of capital assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

O. 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.

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

P. 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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. Changes in Accounting Principles and Restatement of Fund Balance

For fiscal year 2003, the County has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements for State and Local Governments: Omnibus", GASB Statement No. 38, "Certain Financial Statement Note Disclosures", GASB Statement No. 41, "Budgetary Comparison Schedule - Perspective Differences", and GASB Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements". At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statement Nos. 37, 38 and 41.

GASB Statement No. 37 clarifies certain provisions of Statement No. 34, including the required content of the Management Discussion and Analysis, the classification of program revenues and the criteria for determining major funds. GASB Statement No. 38, modifies, establishes and rescinds certain financial statement note disclosures.

GASB Statement No. 41 allows the presentation of budgetary schedules as required supplementary information based on the fund, organization or program structure that the government uses for its legally adopted budget when significant budgetary perspective differences result in the County not being able to present budgetary comparison for the general and each major special revenue fund.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the County's programs between business-type and governmental activities. Except for the restatement of fund equity explained in this note, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental activities reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Governmental Activities - Fund Reclassification and Restatement of Fund Balance - Certain governmental funds have been reclassified to properly reflect their intended purpose in accordance with the standards of GASB Statement No. 34. The fund previously reported as an expendable trust fund is now reported as a component of the general fund. Certain funds that were previously reported as discretely presented component units are now reported in special revenue funds. The County has also recorded a prior period adjustments to record the County's portion of collected but undistributed taxes in the general and special revenue funds, to properly state loans receivable in the special revenue funds and to remove notes payable previously recorded as fund liabilities in the special revenue funds. It was also determined that GASB Interpretation No. 6 had an effect on fund balance as previously reported at December 31, 2002.

The fund reclassifications, prior period adjustments and the implementation of GASB Interpretation No. 6 had the following effect on the County's governmental fund balances as previously reported follows:

	<u>General</u>	<u>County View Haven</u>	<u>County Board of MRDD</u>	<u>Motor Vehicle and Gas Tax</u>	<u>Courthouse Project</u>	<u>Non Major</u>	<u>Total</u>
Fund balance							
December 31, 2002	\$ 2,288,693	\$ 2,059,147	\$ -	\$ 777,620	\$ 12,099	\$ 5,507,712	\$ 10,645,271
Fund reclassifications	70	-	1,119,025	-	-	91,923	1,211,018
GASB interpretation							
No. 6 adjustments	5,753	850	-	-	-	6,421	13,024
Adjustment for							
property taxes	124,068	52,748	207,237	-	-	39,553	423,606
Adjustment for							
loans receivable	-	-	-	-	-	266,518	266,518
Adjustment for							
notes payable	-	-	-	-	-	100,000	100,000
Adjusted fund balance,							
December 31, 2002	<u>\$ 2,418,584</u>	<u>\$ 2,112,745</u>	<u>\$ 1,326,262</u>	<u>\$ 777,620</u>	<u>\$ 12,099</u>	<u>\$ 6,012,127</u>	<u>\$ 12,659,437</u>

The transition from governmental fund balance to net assets of the governmental activities is also presented.

Adjusted fund balance,	
December 31, 2002	\$ 12,659,437
GASB Statement No. 34 adjustments:	
Capital assets	32,824,312
Long-term liabilities	(6,075,076)
Accrued interest	(43,302)
Long-term (deferred assets)	<u>2,755,025</u>
Governmental activities net	
assets, December 31, 2002	<u>\$ 42,120,396</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

Business-Type Activities - Restatement of Fund Equity - The capital assets of the business-type activities have been restated at December 31, 2002, to properly state the capital assets in accordance with the County's new capitalization threshold of \$5,000 (see Note 10.A. for detail).

The adjustment in capital assets had the following effect on equity of the business-type activities as previously reported:

	<u>Landfill</u>	<u>Nonmajor</u>	<u>Total</u>
Fund equity, December 31, 2002	\$ (491,057)	\$ (94,146)	\$ (585,203)
Adjustment for capital assets	(163,273)	-	(163,273)
Restated fund equity, December 31, 2002	\$ (654,330)	\$ (94,146)	\$ (748,476)

B. Deficit Fund Balances

	<u>Deficit</u>
<u>Major Fund</u>	
Sanitary landfill	\$ (440,155)
<u>Nonmajor Governmental Funds</u>	
Litter	(3,433)
Solid Waste	(1,398)
Block Grant - Micro Enterprise Loan	(57,227)
Hahn Center	(210,573)

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 deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

C. Compliance

The following funds had appropriations in excess of estimated resources contrary to Section 5705.39, Ohio Revised Code:

<u>Fund</u>	<u>Excess</u>
<u>Special Revenue Funds</u>	
Child Service	\$ (210,960)
Community Development Block	(64,768)
Daughter/Son Sexual Abuse Grant	(10,969)
Prepay Investment	(147)
Operations 911	(21,174)
Department Youth Services	(3,712)
Mel Micro-Enterprise	(4,842)
Solid Waste Management	(5,583)
Railroad Crossing	(195)
Block Grants	(780,640)

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

<u>Fund</u>	<u>Excess</u>
<u>Capital Project Fund</u>	
Issue II Reimbursement	\$ (24,059)
<u>Enterprise Funds</u>	
Hahn Center Purchase	(30,903)
Note/Landfill	(13,227)
<u>Expendable Trust</u>	
MRDD Capital Projects	(4,918)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Protection of the County's deposits is provided by the Federal Deposit Insurance Corporation (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.

Monies held by the County which are not considered active are classified as inactive. Inactive 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 division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's Investment Pool (STAR Ohio);

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

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

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

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

Cash on Hand: At year-end, the County had \$5,200 in undeposited cash on hand which is included on the financial statements of the County as part of "Equity in Pooled Cash and Cash Equivalents."

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

Deposits: At year-end, the carrying amount of the County's deposits, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$17,306,675 and the bank balance, including nonnegotiable certificates of deposit and cash in segregated accounts, was \$17,614,651. Of the bank balance:

1. \$660,423 was covered by federal depository insurance; and
2. \$16,954,228 was uninsured and uncollateralized as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the County. Although all state statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the County to a successful claim by the FDIC.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

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

	Category 3	Fair Value
Repurchase agreement	\$ 1,000,000	\$ 1,000,000
Total investments	\$ 1,000,000	\$ 1,000,000

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

A reconciliation between the classifications of cash and cash equivalents on the basic financial statements and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/ Deposits	Investments
GASB Statement No. 9	\$ 18,021,875	\$ 290,000
Investments of the cash management pool:		
Repurchase agreement	(1,000,000)	1,000,000
Certificates of deposit	290,000	(290,000)
Cash on hand	(5,200)	-
GASB Statement No. 3	\$ 17,306,675	\$ 1,000,000

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2003, consisted of the following, as reported on the fund financial statements:

Transfers to Country View Haven fund from:	
Nonmajor governmental funds	\$ 7,000
Transfers to nonmajor governmental funds from:	
General fund	488,867
Nonmajor governmental funds	19,778
Total Transfers to Nonmajor Governmental Funds	508,645
Transfers to Landfill fund from:	
General fund	30,000
Transfers to nonmajor enterprise funds from:	
General fund	126,800
Total transfers	\$ 672,445

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

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

- B.** Due from/to other funds consisted of the following at December 31, 2003, as reported on the fund financial statements:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental funds	\$ 2,832
	MVGT	<u>190</u>
	Total due to General fund	<u>3,022</u>
MVGT	General	3,033
	Country View Haven	92
	Nonmajor governmental funds	<u>2,378</u>
	Total due to MVGT fund	<u>5,503</u>
Total		<u>\$ 8,525</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.

- C.** Interfund loans payable/receivable consisted of the following at December 31, 2003:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental fund	\$ 8,500

This interfund balance will be repaid in the next fiscal year as resources become available.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the County. Real property taxes and public utility taxes are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by state law at 35% of appraised market value. Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at 88% of true value for taxable transmission and distribution property and 25% of true value for all other taxable property. Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values of real and tangible personal property upon which 2002 property tax receipts were based are as follows:

<u>Real Property</u>	
Agricultural	\$ 71,102,390
Residential	184,774,290
Commercial/Industrial/Mineral	36,554,480
Tangible personal property	74,890,295
<u>Public Utility</u>	
Real	517,090
Personal	<u>36,360,680</u>
Total assessed value	<u>\$ 404,199,225</u>

The full tax rate for all County operations applied to real property for fiscal year ended December 31, 2003, was \$14.80 per \$1,000 of assessed valuation. The fuel tax rate for debt service is \$1.40 per \$1,000 of assessed valuation.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due March 1. If paid semi-annually, the first payment is due March 1 and the remainder payable July 15. Under certain circumstances, State statute permits earlier or later payment dates to be established.

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. Collections of the taxes and remittance of them to the taxing districts are accounted for in various agency funds of the County. Tangible personal property taxes for unincorporated and single county businesses are due semi-annually, with the first payment due May 10 and the remainder payable by September 20. Due dates are normally extended an additional 30 days. The due date for the entire tax for inter-county businesses is September 20 or the extended date. The first \$10,000 of taxable value is exempt from taxation for each business by state law.

The lien date is either December 31 or the end of their fiscal year (for incorporated businesses in operation more than one year). Since each business must file a return to the County Auditor, the tangible personal taxes are not known until all the returns are received.

"Real estate and other taxes" receivable represents delinquent real and tangible personal property and public utility taxes outstanding as of December 31 (net of allowances for estimated uncollectibles) and real and public utility taxes which were measurable as of the year end.

Since the current levy is not intended to finance 2003 operations, the receivable is offset by a credit to "deferred revenue". The delinquent real, public utility and tangible personal property taxes that will become available to the County within the first 31 days of 2004 are shown as 2003 revenue; the remainder is shown as "deferred revenue". The eventual collection of significantly all real and public utility property taxes (both current and delinquent) is reasonably assured due to the County's ability to force foreclosure of the properties on which the taxes are levied.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 7 - PERMISSIVE SALES AND USE TAX

In 1987, the County Commissioners by resolution imposed a 1% percent tax on all retail sales (except sales of motor vehicles) made in the County, and on the storage, use, or consumption in the County of tangible personal property, including automobiles not subject to the sales tax. Vendor collections of the tax are paid to the State Treasurer by the twenty-third day of the month following collection. The State Tax Commissioner certifies to the State Auditor the amount of the tax to be returned to the County. The Tax Commissioner's certification must be made within forty-five days after the end of the month of collection. The State Auditor then has five days in which to draw the warrant payable to the County.

Proceeds of the tax are credited to the general fund and Motor Vehicle and Gas Tax fund. A receivable is recognized at year-end for amounts that will be received from sales which occurred during 2003 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 2003 amounted to \$2,627,626 as reported on the fund financial statements.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2003, consisted of taxes, accrued interest, loans, accounts (billings for user charged services), special assessments, interfund transactions related to charges for goods and services rendered, interfund loans not related to charges for goods and services 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 and all interfund transactions related to charges for goods and services rendered have been classified as "Due From Other Funds" on the financial statements. Receivables have been recorded as described in Note 2.C. 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 principal items of receivables as reported on the statement of net assets follows:

	<u>Amount</u>
<u>Governmental Activities:</u>	
Sales taxes	\$ 602,574
Real and other taxes	6,736,989
Accounts	47,760
Special assessments	596,210
Accrued interest	42,801
Due from other governments	3,919,658
Loans receivable	1,584,974
 <u>Business-Type Activities:</u>	
Accounts	87,986
Due from other governments	1,479

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, 2003

NOTE 9 - LOANS RECEIVABLE

The County maintains a revolving loan program for local businesses to encourage business development in the County. The loan balance has been restated due to errors and omissions in the previous year. A summary of the City's loan activity for 2003 is as follows:

	Restated Balance at <u>12/31/02</u>	<u>Issued</u>	<u>Received</u>	Balance at <u>12/31/03</u>
Revolving Loans	\$ 1,402,932	\$ 507,000	\$ (324,958)	\$ 1,584,974

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

NOTE 10 - CAPITAL ASSETS

A. The beginning capital asset balances of the governmental activities have been restated to include the reporting of governmental infrastructure assets, accumulated depreciation on governmental capital assets, to include as governmental capital assets those previously reported as component unit capital assets, to report the change in the County's capitalization policy and to correct errors and omissions in the amounts previously reported.

	Balance <u>12/31/02</u>	<u>Adjustments</u>	Restated Balance <u>12/31/02</u>
Land	\$ 478,709	\$ (22,820)	\$ 455,889
Buildings and improvements	19,353,276	1,811,335	21,164,611
Machinery and equipment	1,818,964	(598,114)	1,220,850
Vehicles	2,628,791	1,412,637	4,041,428
Construction in progress	219,239	-	219,239
Infrastructure	-	<u>25,297,400</u>	<u>25,297,400</u>
Less: accumulated depreciation	-	<u>(19,575,105)</u>	<u>(19,575,105)</u>
Total	\$ 24,498,979	\$ 8,325,333	\$ 32,824,312

	Balance <u>12/31/02</u>	<u>Adjustments</u>	Restated Balance <u>12/31/02</u>
Business-Type Activities:			
Land	\$ 352,180	\$ (74,745)	\$ 277,435
Buildings and improvements	-	74,745	74,745
Machinery and equipment	261,084	(208,901)	52,183
Vehicles	581,836	184,914	766,750
Less: accumulated depreciation	<u>(490,342)</u>	<u>(139,286)</u>	<u>(629,628)</u>
Total	\$ 704,758	\$ (163,273)	\$ 541,485

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended December 31, 2003, was as follows:

Governmental Activities:	Restated Balance 12/31/02	Additions	Disposals	Balance 12/31/03
<i>Capital assets, not being depreciated:</i>				
Land	\$ 455,889	\$ 1,276,400	\$ -	\$ 1,732,289
Construction in progress	<u>219,239</u>	<u>588,167</u>	<u>-</u>	<u>807,406</u>
Total capital assets, not being depreciated	<u>675,128</u>	<u>1,864,567</u>	<u>-</u>	<u>2,539,695</u>
<i>Capital assets, being depreciated:</i>				
Building and improvements	21,164,611	638,600	-	21,803,211
Machinery and equipment	1,220,850	70,979	(46,593)	1,245,236
Vehicles	4,041,428	290,433	(119,019)	4,212,842
Infrastructure	<u>25,297,400</u>	<u>1,414,400</u>	<u>-</u>	<u>26,711,800</u>
Total capital assets, being depreciated	<u>51,724,289</u>	<u>2,414,412</u>	<u>(165,612)</u>	<u>53,973,089</u>
<i>Less: accumulated depreciation:</i>				
Building and improvements	(9,323,404)	(657,086)	-	(9,980,490)
Machinery and equipment	(636,772)	(91,723)	24,896	(703,599)
Vehicles	(1,736,864)	(271,201)	92,016	(1,916,049)
Infrastructure	<u>(7,878,065)</u>	<u>(868,059)</u>	<u>-</u>	<u>(8,746,124)</u>
Total accumulated depreciation	<u>(19,575,105)</u>	<u>(1,888,069)</u>	<u>116,912</u>	<u>(21,346,262)</u>
Total capital assets being depreciated, net	<u>32,149,184</u>	<u>526,343</u>	<u>(48,700)</u>	<u>32,626,827</u>
Governmental activities capital assets, net	<u>\$ 32,824,312</u>	<u>\$ 2,390,910</u>	<u>\$ (48,700)</u>	<u>\$ 35,166,522</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 10 - CAPITAL ASSETS - (Continued)

	Restated Balance		Additions	Deductions	Balance
<u>Business-Type Activities:</u>	<u>12/31/02</u>		<u>12/31/03</u>		<u>12/31/03</u>
<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>-</u>	<u>277,435</u>
<i>Capital assets, being depreciated:</i>					
Buildings and improvements	74,745	-	-	-	74,745
Machinery and equipment	52,183	-	-	-	52,183
Vehicles	<u>766,750</u>	<u>11,049</u>	<u>-</u>	<u>-</u>	<u>777,799</u>
Total capital assets, being depreciated	<u>893,678</u>	<u>11,049</u>	<u>-</u>	<u>-</u>	<u>904,727</u>
<i>Less: accumulated depreciation:</i>					
Buildings and improvements	(53,816)	(1,495)	-	-	(55,311)
Machinery and equipment	(10,214)	(2,964)	-	-	(13,178)
Vehicles	<u>(565,598)</u>	<u>(42,008)</u>	<u>-</u>	<u>-</u>	<u>(607,606)</u>
Total accumulated depreciation	<u>(629,628)</u>	<u>(46,467)</u>	<u>-</u>	<u>-</u>	<u>(676,095)</u>
Total capital assets, being depreciated net	<u>264,050</u>	<u>(35,418)</u>	<u>-</u>	<u>-</u>	<u>228,632</u>
Business-type activities capital assets, net	<u>\$ 541,485</u>	<u>\$ (35,418)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 506,067</u>

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

Governmental activities:

Legislative and executive	\$ 555,198
Judicial	18,109
Public safety	99,984
Public works	1,000,288
Health	51,436
Human services	147,899
Other	<u>15,155</u>
Total depreciation expense - governmental activities	<u>\$ 1,888,069</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

During 2003, the County entered into a capital lease agreements for the acquisition of copier equipment. The leases meet 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 a capital outlay expenditure and other financing source in the appropriate fund. On the government-wide financial statements, a capital asset and corresponding liability has been recorded for the present value of the future minimum lease payments.

Principal payments in 2003 totaled \$749 in the County Board of MRDD fund. Capital lease payments in the County Board of MRDD fund have been reclassified on the fund financial statements to reflect debt principal and interest payments. These payments are reported as program expenditures on the budgetary statement and as a reduction to the liability of the government-wide financial statements.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2003.

<u>Year Ending December 31,</u>	<u>County Board of MRDD</u>
2004	\$ 6,348
2005	6,348
2006	6,348
2007	6,348
2008	<u>5,290</u>
Total future minimum lease payments	30,682
Less: amount representing interest	<u>(4,715)</u>
Present value of net minimum lease payments	<u>\$ 25,967</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 12 - OPERATING LEASE

The County leases a building under a noncancellable operating lease to Henry County Hospital, Incorporated. The hospital building is included in the County's governmental capital assets at a value of \$8,911,353 (see Note 10). The County has obtained bonded debt for hospital improvements. The Henry County Hospital, Incorporated must make lease payments until the bonds are paid off in 2019. Any interest earned on the lease payments are used to pay the bonds and thus reduces the amount of the lease payments required by the Henry County Hospital, Incorporated.

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

<u>Year Ending</u> <u>December 31</u>	
2004	\$ 289,650
2005	290,550
2006	289,950
2007	289,900
2008	289,350
Thereafter	<u>1,332,400</u>
Total minimum future lease payments	<u>\$ 2,781,800</u>

NOTE 13 - 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 Mental Retardation and Developmental Disabilities 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, 2003, vested benefits for vacation leave for governmental activities employees totaled \$461,441 and vested benefits for sick leave totaled \$90,314. 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 \$6,161. 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 \$794,029 for governmental activities employees and \$6,976 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, 2003

NOTE 14 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

The balance of the County's governmental activities long-term obligations at December 31, 2002 has been restated. The compensated absences liability increased \$399,354 from \$956,629 to \$1,355,983 due to fund reclassifications and the implementation of GASB Interpretation No. 6 as described in Note 3.A. The effect on the total governmental activities long-term obligations at January 1, 2003 was an increase from \$5,575,722 to \$6,075,076. During the fiscal year 2003, the following changes occurred in the County's governmental long-term obligations:

	Original Amount Issued	Restated Balance at 12/31/02	Additions	Reductions	Balance at 12/31/03	Amount Due in One Year
<u>General Obligation Bonds:</u>						
1996 - 5.25% general obligation bond	\$ 4,000,000	\$ 1,400,000	\$ -	\$ (445,000)	\$ 955,000	\$ 465,000
2003 - 5% Grelton waterline bond	27,000	-	27,000	-	27,000	1,340
Total general obligation bonds	<u>4,027,000</u>	<u>1,400,000</u>	<u>27,000</u>	<u>(445,000)</u>	<u>982,000</u>	<u>466,340</u>
<u>OWDA Loans:</u>						
1990 - 2% Texas Waterline Project	291,706	152,363	-	(12,444)	139,919	12,111
2002 - 3% Silgan Can Waterline	398,038	398,038	-	-	398,038	-
2002 - 5.64% Water and Sewer District	13,116	13,116	65,967	-	79,083	-
Total OWDA loans	<u>702,860</u>	<u>563,517</u>	<u>65,967</u>	<u>(12,444)</u>	<u>617,040</u>	<u>12,111</u>
<u>Special Assessment Bonds with Governmental Commitment:</u>						
1995 - 6.15% to 9.9%	345,000	145,000	-	(20,000)	125,000	20,000
1998 - 4.75%	211,925	183,576	-	(7,918)	175,658	8,295
Total special assessment bonds	<u>556,925</u>	<u>328,576</u>	<u>-</u>	<u>(27,918)</u>	<u>300,658</u>	<u>28,295</u>
<u>Revenue Bonds:</u>						
1989 - 5% Hospital Addition	375,000	275,000	-	(11,000)	264,000	11,000
1992 - 5% Hospital Improvement	4,025,000	2,052,000	-	(163,000)	1,889,000	171,000
Total revenue bonds	<u>4,400,000</u>	<u>2,327,000</u>	<u>-</u>	<u>(174,000)</u>	<u>2,153,000</u>	<u>182,000</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

	Original Amount <u>Issued</u>	Restated Balance at <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	Balance at <u>12/31/03</u>	Amount Due in <u>One Year</u>
<u>Notes Payable:</u>						
Courthouse Project	\$ 2,800,000	\$ -	\$ 2,800,000	\$ -	\$ 2,800,000	\$ 2,800,000
Certificate of Title Building	100,000	100,000	-	(100,000)	-	-
Certificate of Title Building	85,000	-	85,000	-	85,000	85,000
Total revenue bonds	<u>2,985,000</u>	<u>100,000</u>	<u>2,885,000</u>	<u>(100,000)</u>	<u>2,885,000</u>	<u>2,885,000</u>
<u>Other Obligations:</u>						
Compensated absences	N/A	1,355,983	-	(10,199)	1,345,784	461,441
Mortgage Loan - 2%	100,000	-	100,000	(4,804)	95,196	5,872
Capital lease obligation	26,716	-	26,716	(749)	25,967	4,679
Total other obligations	<u>126,716</u>	<u>1,355,983</u>	<u>126,716</u>	<u>(15,752)</u>	<u>1,466,947</u>	<u>471,992</u>
Total governmental activities long-term obligations	<u>\$ 12,798,501</u>	<u>\$ 6,075,076</u>	<u>\$ 3,104,683</u>	<u>\$ (775,114)</u>	<u>\$ 8,404,645</u>	<u>\$ 4,045,738</u>

General Obligation Bonds

The general obligation bonds are supported by the full faith and credit of the County. The bonds were issued to provide resources for building renovations and improvements including energy conservation measures to the County Courthouse. Principal and interest are being paid from the Courthouse improvement debt service fund (a nonmajor governmental fund). During 2003, the County issued \$27,000 in bonds to repay notes for the Grelton waterline extension project.

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 \$375,000 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 - 2002 Series

During 2002, the County entered into a loan agreement with the Ohio Water Development Authority (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 Ohio Water Development Authority (OWDA) for the formation of a water and sewer district. Repayment of this loan will be funded by user charges collected by the County. The amount of the loan disbursed during 2003 was \$65,967. The project was not completed during 2003, however, the County will be required to make a balloon payment in 2008 which is included in the future debt service requirement schedule below.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Mortgage Loan

During 2003, County Board of MRDD fund received a mortgage loan from HARC 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.

Revenue Bonds

The revenue bonds are supported by rental income charged to leases of the hospital building. The bonds were issued to finance an addition to the hospital and for various improvements to the hospital building. These bonds bear a 5% interest rate and mature in 2012 and 2019.

Notes Payable

During 2003, the County issued \$2,800,000 of bond anticipation notes at 1.75% for the purchase and renovation of a courthouse building at Oakwood Commons. The proceeds have been recorded in the Courthouse Project capital projects fund. During a previous year, the County issued \$100,000 in notes at 2.9% which have been retired during 2003, and reissued at 2.9% in the amount of \$85,000. These notes are for improvements of the Certificate of Title Building and are repaid from the Certificate of Title Building special revenue fund. These notes have been recorded as long-term in accordance with FASB Statement No. 6 "Classification of Short-Term Obligations Expect to be Refinanced", which states that bond anticipation notes should be included as long-term liabilities if they have been replaced by debt that extends at least one year beyond the date of the balance sheet. See Note 24 for details regarding the reissuance of notes.

Compensated Absences

Compensated absences will be paid from the fund from which the person is paid.

Capital Leases Payable

Capital lease principal and interest payments are being 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 general long-term obligations:

Year Ended	General Obligation Bonds			Special Assessment Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 466,000	\$ 50,972	\$ 516,972	\$ 28,295	\$ 16,146	\$ 44,441
2005	491,000	26,323	517,323	29,554	13,646	43,200
2006	1,000	104	1,104	34,554	12,396	46,950
2007	1,000	100	1,100	29,554	10,834	40,388
2008	1,000	96	1,096	24,554	9,584	34,138
2009-2013	10,000	375	10,375	82,754	28,188	110,942
2014-2018	10,000	167	10,167	59,526	11,097	70,623
2019-2022	2,000	8	2,008	11,867	514	12,381
Total	<u>\$ 982,000</u>	<u>\$ 78,145</u>	<u>\$ 1,060,145</u>	<u>\$ 300,658</u>	<u>\$ 102,405</u>	<u>\$ 403,063</u>

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 14 - LONG TERM OBLIGATIONS - (Continued)

Year Ended	OWDA Loans			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2004	\$ 12,111	\$ 2,798	\$ 14,909	\$ 182,000	\$ 107,650	\$ 289,650
2005	12,353	2,556	14,909	192,000	98,550	290,550
2006	12,600	2,309	14,909	201,000	88,950	289,950
2007	50,042	8,028	58,070	211,000	78,900	289,900
2008	168,255	12,059	180,314	221,000	68,350	289,350
2009-2013	354,367	22,302	376,669	1,022,000	163,900	1,185,900
2014-2018	7,312	142	7,454	101,000	21,350	122,350
2019	-	-	-	23,000	1,150	24,150
Total	<u>\$ 617,040</u>	<u>\$ 50,194</u>	<u>\$ 667,234</u>	<u>\$ 2,153,000</u>	<u>\$ 628,800</u>	<u>\$ 2,781,800</u>

Year Ended	Mortgage Loan		
	Principal	Interest	Total
2004	\$ 5,872	\$ 1,850	\$ 7,722
2005	5,990	1,732	7,722
2006	6,111	1,611	7,722
2007	6,235	1,487	7,722
2008	6,360	1,362	7,722
2009-2013	33,781	4,929	38,710
2014-2018	<u>30,847</u>	<u>1,328</u>	<u>32,175</u>
Total	<u>\$ 95,196</u>	<u>\$ 14,299</u>	<u>\$ 109,495</u>

B. Business-Type Long-Term Obligations

During fiscal year 2003, the following changes occurred in the County's business-type long-term obligations:

	Restated			Balance	Amounts
	Balance	Additions	Reductions	12/31/03	Due in
	12/31/02				One Year
Landfill closure and postclosure care liability	\$ 1,661,258	\$ 166,466	\$ -	\$ 1,827,724	\$ 6,161
Compensated absences	9,880	3,257	-	13,137	6,161
Total business-type long-term obligations	<u>\$ 1,671,138</u>	<u>\$ 169,723</u>	<u>\$ -</u>	<u>\$ 1,840,861</u>	<u>\$ 12,322</u>

C. The Ohio Revised Code provides that the net general obligation debt of the County, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed one percent of the total assessed valuation of the County.

The Code further provides that the total voted and unvoted net debt of the County, less the same exempt debt, shall never exceed a sum equal to three percent of the first \$100,000,000 of the assessed valuation, plus one and one-half percent of such valuation in excess of \$100,000,000 and net in excess of \$300,000,000, plus two and one-half percent of such valuation in excess of \$300,000,000. Based on this calculation, the County's legal debt margin was \$9,178,247 as of December 31, 2003.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 15 - NOTES PAYABLE

The County had the following bond anticipation notes and internal notes outstanding at December 31, 2003:

	<u>Issue</u> <u>Date</u>	<u>Balance at</u> <u>12/31/02</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/03</u>
General Obligation Bond					
Anticipation Notes:					
<u>Capital Projects Funds</u>					
Misamore Ditch - 2.90%	03/28/03	\$ 15,000	\$ -	\$ (15,000)	\$ -
Grelton Waterline Extension - 2.90%	03/28/02	30,000	-	(30,000)	-
Grelton Waterline Extension Internal Note - 2.90%	03/28/03	-	28,000	(28,000)	-
Total governmental funds-bond anticipation notes		<u>\$ 45,000</u>	<u>\$ 28,000</u>	<u>\$ (73,000)</u>	<u>\$ -</u>
<u>Enterprise Funds</u>					
County Facilities Improvement - 2.90%	03/28/02	\$ 300,000	\$ -	\$ (300,000)	\$ -
County Facilities - 2.90%	03/28/03	-	225,000	-	225,000
Landfill Improvement - 2.90%	03/28/02	580,000	-	(580,000)	-
Landfill Improvement - 2.90%	03/28/03	-	545,000	-	545,000
Total enterprise funds-bond anticipation notes		<u>\$ 880,000</u>	<u>\$ 770,000</u>	<u>\$ (880,000)</u>	<u>\$ 770,000</u>

General Obligation Bond Anticipation Notes - On March 28, 2003, the County issued \$3,598,000 of general obligation bonds anticipation notes bearing an annual interest rate of 1.75% and 2.90%. These notes included \$28,000 in general obligation notes for a waterline extension project which were repaid when the bonds were issued, see Note 14 for a schedule of the County's long-term obligations. The County also issued \$2,800,000 in bond anticipation notes for courthouse improvements. The proceeds of these notes have been recorded in the Courthouse Project capital projects fund. During 2003, the County repaid \$880,000 in general obligation notes in the enterprise funds and received \$770,000 in notes for landfill and the Hahn Center projects. The proceeds and note retirement payment have been recorded in the Landfill and Hahn Center enterprise funds.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - 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 2003, 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:

	Amount
General Liability (per occurrence)	\$ 3,000,000
Law Enforcement Liability (per occurrence)	3,000,000
Automobile Liability and Physical Damage Liability (per occurrence)	3,000,000
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	Actual Cash Value
Valuable Papers and Records	1,000,000
Inland Marine	Actual Cash Value
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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 16 - RISK MANAGEMENT - (Continued)

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.

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 17 - DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

The County participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the member directed plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the traditional and 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, 277 E. Town St., Columbus, OH 43215-4642 or by calling (614) 222-6705.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 17 - DEFINED BENEFIT PENSION PLANS - (Continued)

For the year ended December 31, 2003, the members of all three plans, except those in law enforcement or public safety participating in the traditional plan, were required to contribute 8.5% of their annual covered salaries. Members participating in the traditional plan who were in law enforcement contributed 10.1% of their annual covered salary; members in public safety contributed 9%. The County's contribution rate for pension benefits for 2003 was 8.55%, except for those plan members in law enforcement or public safety. For those classifications, the County's pension contributions were 11.7% of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The County's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2003, 2002, and 2001 were \$914,140, \$810,688, and \$726,325, respectively; 100% has been contributed for 2003, 2002 and 2001. The County and plan members did not make any contributions to the member-directed plan for 2003.

B. State Teachers Retirement System

Certified teachers employed by the school for the Mentally Retarded/Developmentally Disabled 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 basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code.

STRS Ohio issues a publicly available financial report that includes financial statements and required supplementary information for STRS Ohio. That report may be obtained by writing to the State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3% of their annual covered salary and the County is required to contribute 14%; 13% was the portion used to fund pension obligations. The portion to fund pension obligations for 2002 was 9.5%. Contribution rates are established by STRS Ohio Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The County's contributions for pension obligations to STRS Ohio for the years ended December 31, 2003, 2002, and 2001 were \$85,250, \$79,521, and \$85,652, respectively; equal to their required contributions for each year.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System

The Ohio Public Employees Retirement System (OPERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit with either the traditional or combined plans. Health care coverage for disability recipients and primary survivor recipients is available. Members of the member-directed plan do not qualify for postretirement health care coverage. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits other than Pension Benefits by State and Local Government Employers". A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of postretirement health care based on authority granted by State statute. The 2003 local government employer contribution rate was 13.55% of covered payroll (16.70% for public safety and law enforcement); 5.00% of covered payroll was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal actuarial cost method. Significant actuarial assumptions, based on OPER's latest actuarial review performed as of December 31, 2002, include a rate of return on investments of 8.00%, an annual increase in active employee total payroll of 4.00 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .50% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4.00% annually.

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

The number of active contributing participants in the traditional and combined plans was 364,881. Actual employer contributions for 2003 which were used to fund postemployment benefits were \$512,910. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2002 (the latest information available) were \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability were \$18.7 billion and \$8.7 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan. The Choices Plan will be offered to all persons newly hired in an OPERS covered position after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices will incorporate a cafeteria approach, offering a broader range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

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

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 18 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Comprehensive health care benefits are provided to retired teachers and their dependents through the STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Benefit provisions and the obligations to contribute are established by the State Teachers Retirement Board based on authority granted by State statute.

All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. Benefits are funded on a pay-as-you-go basis through an allocation of employer contributions to the Health Care Stabilization Fund equal to 1.0% of covered payroll for the fiscal year ended June 30, 2003. For the County, this amount equaled \$6,558 during calendar year 2003. As of June 30, 2003, the balance in the Health Care Stabilization Fund was \$2.8 billion and eligible benefit recipients totaled 108,294 for STRS Ohio as a whole. For the fiscal year ended June 30, 2003, net health care costs paid by STRS Ohio were \$352.301 million.

NOTE 19 - 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);
- (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, 2003

NOTE 19 - 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

	Governmental Fund Types			
	<u>General</u>	<u>Country View Haven</u>	<u>Motor Vehicles and Gas Tax</u>	<u>County Board of MRDD</u>
Budget basis	\$ 114,348	\$ (58,091)	\$ 111,104	\$ (5,874)
Net adjustment for revenue accruals	241,039	19,182	45,588	311,530
Net adjustment for expenditure accruals	76,731	(46,525)	93,634	(478,280)
Net adjustment for other financing sources/(uses) accruals	(264,544)	34,000	-	26,716
Encumbrances (budget basis)	<u>47,632</u>	<u>75,125</u>	<u>11,269</u>	<u>17,000</u>
GAAP basis	<u>\$ 215,206</u>	<u>\$ 23,691</u>	<u>\$ 261,595</u>	<u>\$ (128,908)</u>

NOTE 20 - 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 21 - 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.

HENRY COUNTY, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2003

NOTE 21 - PUBLIC ENTITY RISK POOL - (Continued)

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

CORSA has issued certificates of participation in order to provide adequate cash reserves. The certificates are secured by the member counties' obligations to make coverage payments to CORSA. The participating counties have no responsibility for the payment of the certificates. The County does not have an equity interest in CORSA. The County's payment for insurance to CORSA in 2003 was \$142,805.

NOTE 22 - CONDUIT DEBT OBLIGATIONS

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

At December 31, 2003, health care facility revenue bonds outstanding aggregated \$2,781,800.

NOTE 23 - CLOSURE AND POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the County place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill used during the year. The estimated liability for landfill closure and postclosure care costs has a balance of \$1,827,724 as of December 31, 2003, which is based on 71.50% usage (filled) of the landfill. It is estimated that an additional \$728,630 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 \$2,556,354 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, 2002. However, the actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The County is required by state and federal laws and regulations to make annual contributions to finance closure and postclosure care. The County is in compliance with these requirements, and at December 31, 2003, cash and cash equivalents of \$1,097,832 are held for these purposes. These investments are held and managed by the County and are presented on the County's balance sheet as "Restricted Assets: Equity in Pooled Cash and Cash Equivalents". It is anticipated that future inflation costs will be financed in part from earnings on investments. The remaining portion of anticipated future inflation costs (including inadequate earnings on investments, if any) and additional costs that might arise from changes in postclosure requirements (due to changes in technology or more rigorous environmental regulations, for example) may need to be covered by charges to future landfill users, taxpayers, or both.

HENRY COUNTY, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2003**

NOTE 24 - SIGNIFICANT SUBSEQUENT EVENTS

On March 24, 2004, the County reissued the Certificate of Title Building notes by retiring \$30,000 and reissuing \$55,000 at 5.5%.

On March 24, 2004, the County issued bond anticipation notes in the amount of \$4,570,000, for improving the landfill; acquiring and renovating two adjacent buildings; purchasing land and improvements to a house for governmental functions; improving county facilities; and improvement to U.S. Route 6. These notes retired the Courthouse Project notes for \$2,800,000, for the purchase and improvement of the land and building at Oakwood Commons.

HENRY COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	PASS-THROUGH GRANT NUMBER	(C) CASH FEDERAL DISBURSEMENTS	OTHER FEDERAL DISBURSEMENTS
U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Nutrition Cluster:				
(B) (D) Food Distribution	10.550	N/A	\$ -	\$ 7,936
(A) (D) National School Lunch	10.555	065946-03-PU-2002	20,326	-
Total U.S. Department of Agriculture			<u>20,326</u>	<u>7,936</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT PASSED THROUGH THE OHIO DEPARTMENT OF DEVELOPMENT OFFICE OF HOUSING AND COMMUNITY PARTNERSHIP:				
Community Development Block Grant	14.228	B-F-01-032-1	41,000	-
Community Development Block Grant	14.228	B-F-02-032-1	40,022	-
Community Development Block Grant	14.228	B-M-02-032-1	45,000	-
Total Community Development Block Grant			<u>126,022</u>	<u>-</u>
Community Housing Improvement Program	14.239	B-C-02-032-1	24,138	-
Community Housing Improvement Program	14.239	B-C-02-032-2	9,550	-
Total Community Housing Improvement Program			<u>33,688</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development			<u>159,710</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE PASSED THROUGH THE OFFICE OF CRIMINAL JUSTICE SERVICES:				
Supervised Visitation	16.579	2002-DG-D02-7003	26,448	-
Total U.S. Department of Justice			<u>26,448</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR PASSED THROUGH THE OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES- WORKFORCE DEVELOPMENT ACT OF 1998 (WIA) CLUSTER:				
(F) Workforce Investment Act		N/A	35,109	-
(F) Workforce Investment Act		N/A	625	-
Total Workforce Investment Act			<u>35,734</u>	<u>-</u>
(F) Workforce Investment Act - Adult		N/A	127,312	-
(F) Workforce Investment Act - Adult Administration		N/A	2,352	-
Total Workforce Investment Act - Adult			<u>129,664</u>	<u>-</u>
(F) Workforce Investment Act - Youth		N/A	116,639	-
(F) Workforce Investment Act - Youth Administration		N/A	2,145	-
Total Workforce Investment Act - Youth Total			<u>118,784</u>	<u>-</u>
(F) Workforce Investment Act - Dislocated Worker		N/A	96,318	-
(F) Workforce Investment Act - Dislocated Workers Administration		N/A	1,800	-
Total Workforce Investment Act - Dislocated Worker Total			<u>98,118</u>	<u>-</u>
Total U.S. Department of Labor			<u>382,300</u>	<u>-</u>
OHIO DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION:				
Special Education Cluster:				
(E) Special Education-Grants to States (Title VI-B)	84.027	066365-6B-SF-03P	26,430	-
(E) Special Education-Grants to States (Title VI-B)	84.027	066365-6B-SF-04P	46,250	-
Total Special Education-Grants to States (Title VI-B)			<u>72,680</u>	<u>-</u>
(E) Special Education Preschool Grant	84.173	066365-PG-S1-03P	28,145	-
(E) Special Education Preschool Grant	84.173	066365-PG-S1-04P	20,383	-
Total Special Education Preschool Grant			<u>48,528</u>	<u>-</u>
Total Special Education Cluster			<u>121,208</u>	<u>-</u>
Innovative Program	84.298	066365-C2-S1-2003	659	-
Total U.S. Department of Education			<u>121,867</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES PASSED THROUGH THE AREA OFFICE OF AGING:				
Special Programs for the Aging-Title III Part B- Grant for Supportive Services and Senior Center	93.044	N/A	58,494	-
PASSED THROUGH QUADCO REHABILITATION CENTER:				
Social Services Block Grant (Title XX)	93.667	N/A	17,722	-
PASSED THROUGH THE OHIO DEVELOPMENT OF MENTAL RETARDATION AND DEVELOPMENT DISABILITIES:				
Medical Assistance Program (Medicaid: Title XIX)	93.778	N/A	1,371,860	-
Total U.S. Department of Health and Human Services			<u>1,448,076</u>	<u>-</u>
U.S. DEPARTMENT OF FEDERAL EMERGENCY MANAGEMENT DISASTER ASSISTANCE PASSED THROUGH THE OHIO DEPARTMENT OF EMERGENCY MANAGEMENT DISASTER ASSISTANCE:				
Homeland Security	97.004	S03-HP03-35-0534	60,000	-
Homeland Security	97.004	S03-HE03-35-0446	49,635	-
Total Homeland Security			<u>109,635</u>	<u>-</u>
Emergency Management - State and Local Assistance	97.042	EMC-02-PA-1333	14,838	-
Emergency Management - State and Local Assistance	97.042	EMC-03-PA-1333	7,036	-
Total Emergency Management			<u>21,874</u>	<u>-</u>
Total U.S. Department of Federal Emergency Management Disaster Assistance			<u>131,509</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 2,290,236</u>	<u>\$ 7,936</u>

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

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

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

We have audited the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, which collectively comprise the basic financial statements of Henry County as of and for the year ended December 31, 2003, and have issued our report thereon dated August 20, 2004. As disclosed in Note 3 to the basic financial statements, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, GASB Statement No. 37, Basic Financial Statements for State and Local Governments: Omnibus, GASB Statement No. 38, Certain Financial Statement Note Disclosures, GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, for the year ended December 31, 2003. In addition, the County had a prior period adjustment for loans receivable, notes payable and property taxes receivable as disclosed in Note 3. As disclosed in Note 8.A., the County had a change in accounting principle for its threshold for capital assets. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Henry County's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that are required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings as item 2003-HC-001. We also noted certain immaterial instances of noncompliance that we have reported to the management of Henry County in a separate letter dated August 20, 2004.

Board of Commissioners
Henry County

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Henry County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters involving the internal control over financial reporting, that do not require inclusion in this report that we have reported to the management of the Henry County in a separate letter dated August 20, 2004.

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



Trimble, Julian & Grube, Inc.
August 20, 2004

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

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

Compliance

We have audited the compliance of Henry County with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. Henry County implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; GASB Statement No. 38, Certain Financial Statement Note Disclosures; GASB Statement No. 41, Budgetary Comparison Schedule - Perspective Differences and GASB Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. 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.

Board of Commissioners
Henry County

In our opinion, Henry County complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003.

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 internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to its major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to the management of Henry County in a separate letter dated August 20, 2004.

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



Trimble, Julian & Grube, Inc.
August 20, 2004

HENRY COUNTY

**SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for the major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Program's Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs:	Medicaid Title XIX; CFDA #93.778
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

HENRY COUNTY
SCHEDULE OF FINDINGS
OMB CIRCULAR A-133 § .505
DECEMBER 31, 2003

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

Finding Number	2003-HC-001
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Ohio Revised Code Section 5705.39 requires that no subdivision is to appropriate more monies than estimated resources.

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

<u>Fund</u>	<u>Estimated Resources</u>	<u>Appropriations</u>	<u>Excess</u>
<u>Special Revenue Funds</u>			
Child Service	\$ 1,041,738	\$ 1,252,698	\$ (210,960)
Community Development Block	567,032	631,800	(64,768)
Daughter/Son Sexual Abuse Grant	26,448	37,417	(10,969)
Prepay Investment	15,853	16,000	(147)
Operations 911	54,160	75,334	(21,174)
Department Youth Services	5,363	9,075	(3,712)
Mel Micro-Enterprise	70,158	75,000	(4,842)
Solid Waste Management	55,488	61,071	(5,583)
Railroad Crossing	55	250	(195)
Block Grants	169,360	950,000	(780,640)
<u>Capital Project Fund</u>			
Issue II Reimbursement	185,941	210,000	(24,059)
<u>Enterprise Funds</u>			
Hahn Center Purchase	492,297	523,200	(30,903)
Note/Landfill	596,773	610,000	(13,227)
<u>Expendable Trust</u>			
MRDD Capital Projects	605,595	610,513	(4,918)

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

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

HENRY COUNTY

STATUS OF PRIOR AUDIT FINDINGS

OMB CIRCULAR A-133 § .315(b)

DECEMBER 31, 2003

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer <u>Valid</u>; Explain:
2002-HC-001	Ohio Revised Code Section 5705.39 prohibiting a subdivision from having appropriations in excess of estimated resources.	No	The County is attempting to file amended certificates quarterly upon review of appropriations and resources.
2002-HC-002	Ohio Revised Code 5705.41 (B) prohibiting a subdivision from making an expenditure unless it has been appropriated.	Yes	N/A



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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
SEPTEMBER 28, 2004**